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World steel
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Dwindling harvest
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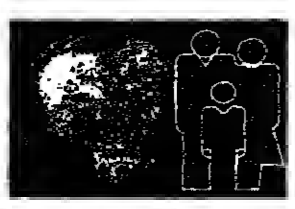

Civil society
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Edward Mortimer, Page 12

Japanese dilemma
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World Business Newspaper
WEDNESDAY MARCH 22 1995
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Dini wins crucial confidence vote over mini-budget

Italian prime minister *Lamberto Dini (left)* won a confidence vote in the Senate last night to push through his deficit-cutting package. Dini had linked the survival of his two-month-old government to the fiscal measures, warning critics they risked driving Italy to an unprecedented financial crisis. Mr Dini's victory came as Italy's annual inflation rate was reported at close to 5 per cent, double the official forecast for 1995. The rate reflects the impact of the lira's devaluation and tax increases introduced as part of the mini-budget. Page 14; Dini curbs media coverage, Page 2

Kmart chief quits: Joseph Antonini, president and chief executive of Kmart, the ailing US discount store group, has resigned. The news was greeted warmly by Kmart's shareholders and the company's shares rose. Page 15

US urged to support dollar: France and Germany urged the US to take action to support the dollar, which fell to a new low against the Japanese yen in European trading yesterday. Page 14

Major poised for backing on CAP reform: The UK government of John Major was poised briefly to restore its technical majority in the House of Commons as MPs prepared to back the cabinet's approach to reform of the European Union's common agricultural policy. Page 14; PM seeks to avoid gaffes, Page 9; Editorial Comment, Page 13

Banks attack Crédit Lyonnais rescue: The rescue plan for Crédit Lyonnais, the lossmaking state controlled bank, came under strong attack from two of its leading competitors. Banque Nationale de Paris and Société Générale released a statement questionning the competitive consequences of the state-backed rescue for the bank unveiled last Friday. Page 15; Lex, Page 14

Bayer, the German chemical group, said it may be forced to move 10 per cent of its production capacity to other countries because of higher energy prices, taxes and labour costs. Page 15; Lex, Page 14

Prudential Corporation, the UK's largest life insurer, admitted it had set aside provisions to deal with possible compensation payments to the victims of poor pensions advice. Page 15; Lex, Page 22

United Airlines bans smoking: United Airlines, the second-largest US carrier, is banning smoking on all its flights to and from London's Heathrow Airport from May 1. Small step towards an "open sky", Page 5

Fighting overshadows Russia-US summit: Renewed fighting in both Bosnia and Chechnya has clouded the atmosphere for today's meeting in Geneva at which the US and Russia will be struggling to patch up their differences over European security and arms control issues. Page 2

Turkey continues attack on Kurds: Turkish forces continued their attacks on Kurdish rebel camps inside northern Iraq. The Turkish military said at least 24 members of the Kurdistan Workers' party had been killed. Page 3

French construction group searched: Police searched the headquarters of French construction group Bouygues as part of an investigation into alleged false billing in the Paris region.

US Senate set to vote on compromise: The US Senate will probably vote this week on a compromise hill to give president Bill Clinton new powers to strike out specific spending proposals without sacrificing an entire piece of legislation. Page 4

Lloyd's faces safety prosecution: Lloyd's Register, the 235-year-old organisation which vets the quality of much of the world's shipping, faces its first criminal prosecution over alleged breaches of health and safety law following the collapse of a passenger walkway at the port of Ramsgate in south-east England last September. Page 9

Bhutto in anti-crime drive: Pakistani prime minister Benazir Bhutto sought to set the tone for her visit to the US next month by calling for international help to stem a growing tide of lawlessness. Page 6

Orimulsion sales drive: Bitor Europe, sole European distributor of Orimulsion, the controversial fuel, announced plans for a sevenfold increase in sales by the end of the century with most of the growth expected in the UK. Page 9

■ STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	4096.13	(+12.45)
NASDAQ Composite	812.56	(+2.07
Europe and Far East		
CAC40	1813.78	(+2.21)
DAX	1982.95	(-8.80)
FT-SE 100	3135.0	(+10.8)
Nikkei	closed	
■ US LUNCHTIME RATES		
Federal Funds	6%	
3-mth Treas Bills: Yld	5.901%	
Long Bond	102¾	
Yield	7.397%	
■ OTHER RATES		
UK: 3-mo Interbank	6¾%	(6 21/32%)
UK: 10 yr Gilt	100⅝	(100⅜)
France: 10 yr OAT	97.34	(96.52)
Germany: 10 yr Bund	101.57	(101.61)
Japan: 10 yr JGB	104.412	(104.413
■ NORTH SEA OIL (Argus)		
Brent 15-day (May)	$16.75	(same)

■ GOLD		
New York: Comex		
(Apr)	$382.8	(383.5)
London:		
close	$382.9	(382.5)
■ DOLLAR		
New York: lunchtime		
£	1.585	
DM	1.413	
FFr	4.9965	
SFr	1.1745	
Y	89.155	
London:		
£	1.5803	(1.582)
DM	1.4125	(1.3973)
FFr	5.0002	(4.9781)
SFr	1.172	(1.1625)
Y	89.25	(89.4252)
■ STERLING		
DM	2.2321	(2.2105)
Tokyo close:	Y closed.	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.30	Lux	LFr70			UAE	Dh12.00

Bank of England deputy head quits over affair

By Robert Peston, Political Editor, in London

The deputy governor of the Bank of England, Mr Rupert Pennant-Rea, resigned yesterday to save the bank further discomfort following weekend press disclosures about his three-year affair with a journalist, Ms Mary Ellen Synon.

The resignation, which shocked the bank and the City of London, followed Mr Pennant-Rea's concern that his authority had been undermined by allegations that he had breached security procedures by smuggling Ms Synon into the bank under an assumed name.

Mr Pennant-Rea's departure follows a string of resignations among ministers of the ruling Tory party during the past two years. The most recent was that of Mr Robert Hughes, the public services minister, who resigned a few weeks ago after admitting adultery.

Mr Pennant-Rea's decision followed an earlier declaration on Sunday that both he and Mr Eddie George, the bank's governor, were satisfied that he remained able to function effectively as deputy governor. Despite official denials, there will inevitably be speculation that pressure from the office of Mr John Major, the prime minister, caused him to change his mind.

A replacement for Mr Pennant-Rea has not been found, and there is no single front-runner for the job among the bank's senior directors. Contenders are likely to include Mr Pen Kent and Mr Ian Plenderleith, both executive directors.

There was speculation at Westminster last night that a candidate is Baroness Hogg, the former journalist who recently stepped down as head of the prime minister's policy unit and who was partly responsible for Mr Pennant-Rea's appointment to the bank at the beginning of 1993.

Treasury and bank officials were sceptical of this suggestion.

In his resignation letter to Mr Kenneth Clarke, the chancellor of the exchequer, Mr Pennant-Rea wrote: "I want to avoid the possibility of the bank being damaged by some foolish mistakes I made, albeit more than a year ago."

Mr Clarke said he was "very sorry indeed" that Mr Pennant-Rea had decided to go. "I am particularly grateful for the hard and effective work that you put into the Barings crisis," be said.

Mr Pennant-Rea also launched an attack on newspapers which had publicised his affair: "I do know that many good people in the commercial world are put off by the tabloid intrusion in the private lives of those in public positions," he wrote. "After the events of the past few days, this reluctance to move [from the private sector to the public sector] will increase."

Bank and Treasury officials said last night that pressure hed not been put on Mr Pennant-Rea

Continued on Page 14

Top Fiat man set to head world trade body

Washington decides not to block Ruggiero appointment

By Frances Williams in Geneva, John Burton in Seoul and Nancy Dunne in Washington

Mr Renato Ruggiero, a senior executive of Fiat and former Italian trade minister, is poised to become the next head of the World Trade Organisation following Washington's decision not to block his appointment and the withdrawal of opposing candidates.

The US move ends nine months of hitter campaigning that bas set the world trade superpowers, the US and the European Union, at loggerheads and threatened to undermine the credibility of the fledgling trade body.

Mr Mickey Kantor, the US trade representative, announced US support for Mr Ruggiero after a meeting with him yesterday morning.

The US administration, which had previously expressed strong reservations about Mr Ruggiero, then said it would support Mr Ruggiero "subject to certain conditions".

"This matter unfortunately became a hemispheric contest, the antipathy of consensus," Mr Kantor said. "We are all agreed it should not work this way in the future." Under a deal hammered out between the US and EU – which EU officials insist is no more than an informal understanding – Mr Ruggiero, who is almost 65, will serve a single four-year term and will be succeeded by a non-European.

More controversially, Mr Kim Chul-su of South Korea, the other official candidate, was persuaded to withdraw his candidacy yesterday after the US, with EU agreement, proposed he be made Mr Ruggiero's deputy. If approved, this would make Mr Kim the highest-ranking Korean in any international organisation.

Washington had backed Mr Carlos Salinas de Gortari, former Mexican president, for the WTO post, but he was forced to drop out of the race this month following the Mexican financial crisis and the arrest of his brother Raul in connection with a high-level political assassination.

To the fury of the EU, US officials then said neither of the two remaining candidates were acceptable and that Mr Ruggiero was "protectionist", raising the prospect that the contest would have to start again with new candidates.

Although Mr Ruggiero had already built up a commanding lead among WTO members, including former Salinas support-

Continued on Page 14
'Rocky' Ruggiero faces hard task, Page 5
Editorial Comment, Page 13

Anger in Japan over apparent attempt to threaten social order

Police 'pinpoint gas attack suspects'

By William Dawkins in Tokyo

Japanese police yesterday said they had pinpointed possible suspects for Monday's nerve gas attack on the Tokyo subway, which left eight dead and nearly 5,000 injured.

As Tokyo struggled hack to normal, newspaper and television reports demonstrated anger at what is being interpreted as a deliberate attempt to threaten Japan's prized social stability.

Police said they had 30 eyewitness accounts of at least five suspicious-looking people seen leaving packages on trains soon after 8am on Monday, the peak of the Tokyo rush hour. This supports the authorities' belief that the attack was the work of an organised group.

Police said they wanted to interview a man in his 30s, recovering in hospital after collapsing from the fumes. He is not believed to be a culprit, police said. Witnesses saw him kicking a package containing a glass bottle of foul-smelling liquid on to the platform at Kodenmacho station, on the Hibiya line in central Tokyo. He fled when questioned by a fellow passenger, but fainted after running a few yards.

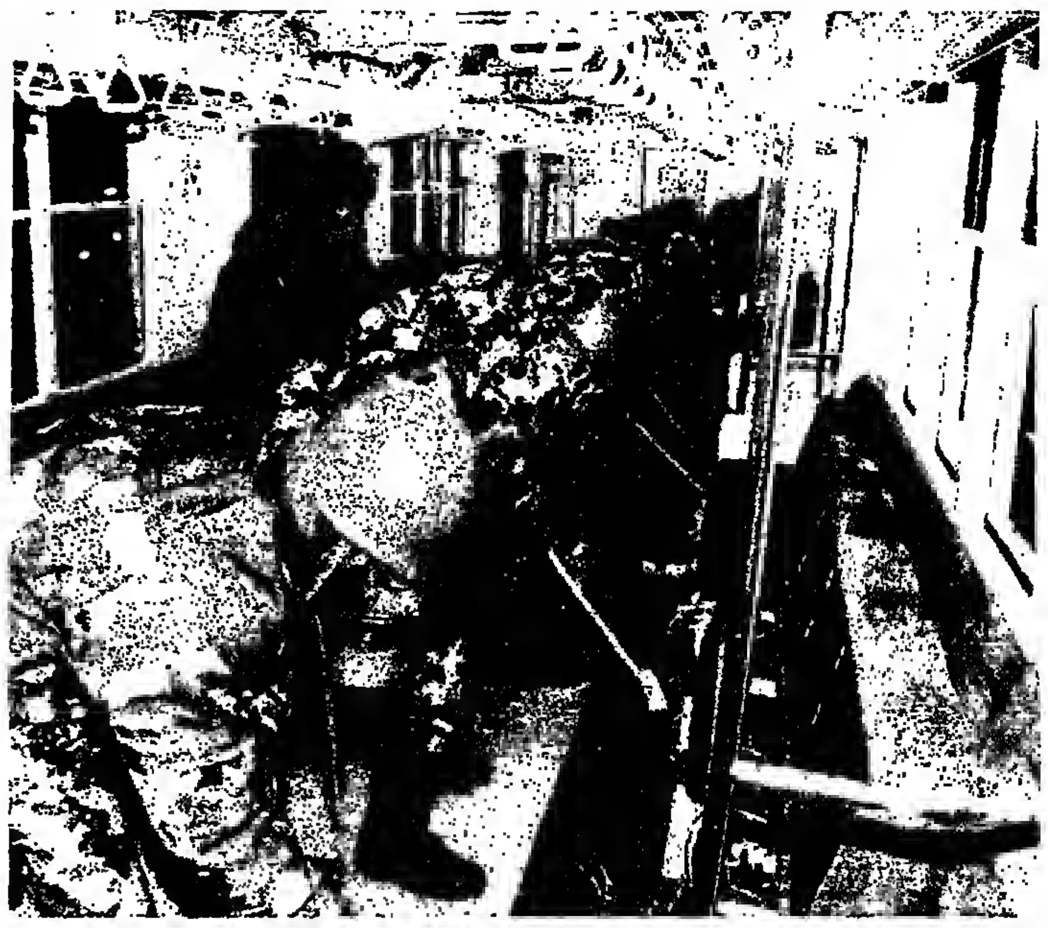
A lawyer representing the fringe religious cult mentioned in Japanese media reports, Aum Shinri Kyo (Aum "Supreme Truth"), yesterday denied any involvement. The group, three of whose followers were recently arrested for alleged kidnapping, claimed it had been framed by the government.

Fears of copycat attacks in Japan and internationally spread yesterday. New York City's subway system was placed on anti-terrorist alert from Monday, and the South Korean government ordered security checks on all mass transport systems. Spain and Italy also tightened security in their cities.

The three Tokyo subway lines closed by the attack reopened yesterday after chemical warfare experts removed five canisters of the gas, believed to be sarin, a nerve agent developed by Germany in the 1930s. But officials said traffic was 30 per cent below normal, even for yesterday's national holiday celebrating the first day of spring. Road traffic was also sparse.

On the Hibiya line, the worst hit, passenger traffic was 10 per cent of normal. The line still carried the smell of chemicals used to remove traces of sarin. Some of those affected by the fumes started to return home yesterday.

Of those who inhaled large doses two more, a train driver and a commuter, died yesterday, in addition to the six killed on Monday, while 75 people were in critical condition. Mr Ryuzo Mikami, director of St Luke's International Hospital in Tokyo, said most victims would be released in the next few days, but serious cases risked having permanent damage to the nervous system, liver, lungs and eyes.



Members of the Japanese army's chemical warfare unit decontaminate Tokyo underground carriages Reuter

Attack that breaks the strongest taboo, Page 6

Carriers 'to spend $1,000bn on aircraft in next 20 years'

By Michael Skapinker, Aerospace Correspondent, in London

Airlines will spend more than $1,000bn on aircraft over the next 20 years to satisfy growing demand, Airbus Industrie, the European manufacturing consortium, said yesterday.

Mr Adam Brown, Airbns's vice president for strategic planning, said he expected air travel to grow by an average of 5.1 per cent a year over the next 20 years. Although this is lower than the average 6.7 per cent increase between 1970 and 1993, it will still represent a tripling of air travel.

Airbus said demand would be fuelled by economic growth in Asia. Average annual air trips a head in China and India were currently about 1 per cent of those in the US and would grow strongly.

The consortium's optimistic view comes in spite of a decision by Boeing, its US rival, to cut 7,000 jobs this year. Boeing said several airlines had decided to postpone aircraft deliveries becaose of the weak aviation market. Mr Brown said: "Despite some residual gloom and doom from other manufacturers, we remain very confident that in the long run air transport will prove to be one of the world's great growth industries."

He said he expected airlines to buy 15,000 aircraft by the end of 2014. Airlines and leasing companies have already ordered about 1,600 of these. The remaining 13,400 are worth $1,000bn at current values.

The North American air passenger market is expected to grow by only 3.7 per cent a year. Airbus says air travel in China will grow by an average annual rate of more than 10 per cent.

By 2014, the capacity of Asian aircraft fleets will have overtaken that of the airlines of North America, Airbus said. Asian fleet capacity will rise to 33 per cent of the world total from 23 per cent today. North American airlines' share will drop to 32 per cent from 39 per cent today. European airlines' sbare will decline to 24 per cent from 26 per cent today.

Airbus also expects aircraft to become bigger over the next 20 years, with the average number of seats per aircraft worldwide rising from the present 179 to 240. Aircraft in Asia will bave an average 356 seats.

The consortium said that by 2014, it expected airlines to have bought 860 aircraft with more than 600 seats.

Mr Brown said high-speed rail systems would take a share of some short-haul travel markets, particularly in Europe.

However, he said airlines would hold their own against train journeys of more than three hours. Aircraft would prove to be environmentally more acceptable than high-speed trains, he added.

"With modern aircraft, the noise nuisance is effectively contained within the airport boundary, but the buge physical barriers needed to contain the noise from high speed trains could one day become as serious an environmental threat as the noise itself."

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NEWS: EUROPE

Mr Lamberto Dini, Italy's prime minister, addressing the Italian Senate yesterday AP

Dini slaps curbs on media coverage during elections

By Robert Graham in Rome

What price the presidential signature on an urgent decree issued by the Italian government?

Senators of the rightwing National Alliance yesterday put a question in parliament demanding to know whether it was true that a special military aircraft had flown a decree to Ankara, the Turkish capital, to obtain the signature of President Oscar Luigi Scalfaro, who is on an official visit there. The decree introduced extensive new controls on media coverage during elections in Italy.

Though the question was deliberately provocative, it underlined the extent of unease over the haste with which Mr Lamberto Dini, the prime minister, has gone about securing operational measures covering such a sensitive aspect of national politics.

The introduction of the measures on media coverage was one of the four tasks set by Mr Dini when he accepted his limited government mandate in January. This was an attempt to satisfy the concerns of parties in the centre and on the left about the advantage obtained by Mr Silvio Berlusconi, the previous prime minister, through his ownership of three commercial television channels and the placing of supporters to run the state broadcasting organisation.

The first draft of the decree was shown to parliament in mid-February and was immediately dismissed as too complex. Mr Dini then gave the politicians until March 10 to come up with their own solution. However, parliament became side-tracked in a battle over the government's mini-budget.

Faced with such inactivity and regional elections on April 23, Mr Dini sent a revised version of the proposal as a decree for signature to President Scalfaro late on Monday. This has immediate effect but must be approved subsequently by parliament.

It imposes a ban on all propaganda slots on television 30 days before the elections. This has been the most controversial aspect and contested vigorously by the Berlusconi camp who argue the ban is unnecessarily severe.

Another controversial aspect is the tight controls placed upon talk shows, an important feature of all Italian television channels. The hosts must follow strict guidelines of impartiality or face stiff sanctions.

The main novelty is the theoretically rapid imposition of sanctions. Instead of taking months, the chairman of the media watchdog commission can impose fines and order rebalancing of programmes within four days. Complaints will be settled within 48 hours.

In general, the political parties have accepted that the present measures are temporary and the debate in parliament will focus on the broader problem of the political control of television. Here there are signs that both the Berlusconi camp and his opponents are sending feelers to establish a consensus prior to the general election which is likely to be held no later than the autumn.

Both sides think they will be able to dictate the terms of peace, writes **Laura Silber**

Bosnian rivals see no alternative to war

The outbreak of fighting between Bosnian Serbs and Moslems this week signals that the two sides are convinced that, without progress toward a negotiated settlement, war is the way forward. Military commanders have in any case boasted how they used the 11 weeks since the ceasefire went into effect to prepare for more war.

The Moslem-led Bosnian government wants to destroy the myth of Serb invincibility on the battlefield while Bosnian Serb leaders reckon they will get a better deal once western countries realise that they are the winners.

An unexpected snowstorm slowed the fighting yesterday, which shattered a country-wide ceasefire. "The activities were a serious body blow to the cessation of hostilities agreement," said Mr Chris Gunness, UN spokesman.

Bosnian Serb and government forces clashed for the second day running near Tuzla, the government stronghold in north eastern Bosnia.

Casualty figures were not available. On Monday, 21 people were killed and 76 injured when a shell fired by Serb forces hit a Bosnian government army barracks in the centre of Tuzla, said Sarajevo radio. The Serb shelling was in response to a Moslem offensive on Mount Majevica, strategic heights near the Serb supply corridor which runs across northern Bosnia.

In central Bosnia, Bosnian Serbs said government forces had advanced around the strategic Mount Vlasic, north of Moslem-held Travnik.

UN officials are aware of the helplessness of their position. Bosnian leaders hava become increasingly hostile to the UN and less receptive to pressure. Mr Yasushi Akashi, UN special envoy to former Yugoslavia, last week left Sarajevo having failed to secure any agreement from the rival leaders to shore up the truce, much less to renew it when it expires on May 1.

Mr Alain Juppé, the French foreign minister, yesterday appealed for the renewal of the ceasefire. After meeting Mr Andrei Kozyrev, his Russian counterpart, who, along with France is part of the five-nation Contact Group, he predicted the war in Bosnia will intensify.

Bosnian Serbs have rejected the Group's proposal which calls on them to hand over to the Moslem-Croat federation a third of the 70 per cent of Bosnia they control.

Mr Haris Silajdzic, the Bosnian prime minister, has said that the Serbs' refusal to accept the proposal leaves his army little choice but to resume fighting, fearing that to continue with a ceasefire will only cement Serb gains.

Bosnian government commanders, whose troops are more numerous but more poorly armed, want to take advantaga of the warm weather to launch offensives. Infantry can move more easily than artillery over Bosnia's mostly mountainous terrain especially under cover of spring greenery.

The ceasefire also gave the government a chance to procure more arms. The assault was launched from Tuzla, last month the focus of UN allegations that C-130 cargo aircraft were dropping weapons to the Moslem-led Bosnian army.

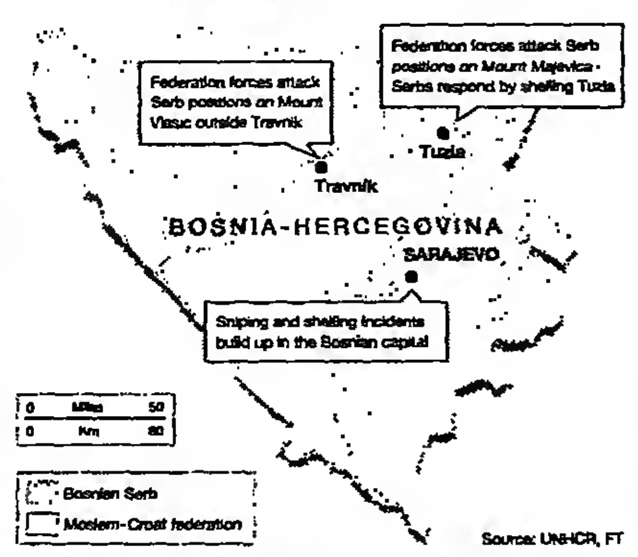
In the event of a full-blown war, Mr Radovan Karadzic, the Bosnian Serb leader, would strengthen his grip on power. Seen from his view point an escalation would weaken efforts by President Slobodan Milosevic of Serbia to destabilise his former proxies in Bosnia.

In a bid to marginalise his Bosnian Serb rivals, Mr Milosevic yesterday met with Mr Muhamed Filipovic, a Bosnian government envoy, in Belgrade.

Any agreement between Belgrade and Sarajevo would further isolate the Bosnian Serb leadership. It also would put more pressure on the year-old Moslem-Croat federation. If the Bosnian government hopes to score any gains against the Serbs, they need their Croat allies to mount an advance on the northern corridor from Croatia.

Failing a new diplomatic initiative, the arrival of spring makes more remote the chances for peace. Mr Gunness said: "We have no choice but, against all odds, to carry on banging the peace drum even when the sound of mortars is drowning it out."

Truce in trouble



Source: UNHCR, FT

Despairing Juppé hopes Moscow and Washington will use their regional influence to salvage ceasefire

Mr Alain Juppé, French foreign minister, yesterday said he was "each day more convinced *that we are going towards a resumption of fighting*" in Bosnia, writes Edward Mortimer in Paris. After a meeting in Paris with his Russian counterpart, Mr Andrei Kozyrev, he appealed to "whoever has influence" to do their utmost to save the *crumbling ceasefire*, an apparent hint to the US and Russia to use their influence on the Bosnian government and Serbs.

Mr Juppé was speaking at the end of a conference at which the 52 member states of the Organisation for Security and Co-operation in Europe formally adopted a "stability pact", intended to prevent Bosnia-type conflicts elsewhere in Europe by settling disputes and cementing good bilateral relations between neighbours. He described the pact as "the first great exercise in preventive diplomacy after the cold war". But, he stressed, the task remained unfinished.

Bilateral talks on border and ethnic minority issues were continuing between Romania and Hungary, and Estonia and Russia. Beyond that, Mr Juppé said, "we must now reflect on whether the method can be extended to other geographical zones", including the Balkans. But in Bosnia and Croatia the immediate task was to stop the war.

Bonn coal decision strains the budget

By Judy Dempsey in Bonn

The decision by the German government and opposition to subsidise the coal industry from the budget has put the finance ministry's target of keeping the budget deficit under DM60bn ($43bn) next year under renewed pressure.

Under the terms of last week's agreement, the coal industry will receive DM7.5bn in subsidies next year and a further DM7bn in 1997 and 1998. However, a finance ministry official yesterday confirmed that "we have no idea what savings can be made [from the budget]. It may be difficult to keep the deficit under our planned DM60bn".

The need to seek financing for the coal industry from 1996 until 2000 was precipitated last December by a constitutional court decision. It ruled that the *Kohlepfennig*, an 8.5 per cent levy imposed on electricity consumers to offset the price of imported coal, was unconstitutional after 1995. By a 1994 law, the government is committed to supporting the industry by about DM7bn a year until the end of the century.

Last week's decision comes in the wake of three other additional expenditures.

● The increase in the tax threshold for the lowest paid which will result in a revenue shortfall officially estimated at DM16bn.

● The government's planned rise in child benefits which will lead to a further DM6bn net revenue loss.

● The the DM6bn required for the federal railways, since it will not be allowed take up loans after 1995.

"The broad public deficit is likely to rise again in 1996 to about 3.5 per cent of gross domestic product after falling from a peak of 6.25 per cent in 1993 to about 3 per cent this year," said Mr Günther Thumann, an economist at Salomon Brothers in Frankfurt.

The Bundesbank and economists see some room for manoeuvre. "The coal subsidies may be paid out of further cutbacks in the public sector," said Mr Thumann. It is also hoped that the extra subsistence and child benefit allowances, as well as the cheaper electricity prices following the scrapping of the *Kohlepfennig*, might finally stimulate a rise in private consumption, which has remained sluggish as a result of tax increases introduced last January.

However, Mr Thumann said: "We cannot be that optimistic particularly since any additional disposable income might be used to replenish savings which people have dipped into over the past year."

Dublin strives to keep punt in front row

Ireland's finance minister Ruairi Quinn talks to **Lionel Barber** about the recent currency turmoil

Ireland has battled harder than most to preserve its position among Europe's hard currencies, despite its links to the UK and the downward floating pound sterling.

So far the struggle has succeeded, a testimony to Irish defiance summed up by Mr Ruairi Quinn, the new finance minister, whose craggy features suggest he has stepped straight out of the front-row of the national rugby team.

Mr Quinn is a quick-witted advocate of the Irish cause and the wider European argument which suggests that external forces – notably the precipitate decline of the dollar – are chiefly to blame for the latest crisis inside the European exchange rate mechanism.

Over breakfast yesterday, Mr Quinn spoke about EU ministerial discussions on the future of the ERM and various ideas floated to restore order to the international monetary system, such as co-ordinated intervention to support the dollar or adjust the D-Mark along the lines of the 1980s Plaza and Louvre accords.

He said that at a meeting of EU finance ministers last Monday the consensus was that the dollar was nearing the end of its role as the world's global reserve currency. This was partly due to the end of the cold war and the US role as undisputed economic and military leader of the west.

In the short term, ministers believed the US would not take any immediate action to prop up the dollar. With the presidential elections less than 18 months away, the consensus was that neither the administration nor Congress was likely to push for a reduction in budget deficits or a rise in interest rates.

Similarly, ministers agreed that it was unlikely that the Bundesbank would ease interest rates, despite hints by Mr Hans Tietmayer, its president. The most important constraint was the recent inflationary public sector wage claims in Germany. "There is no quick fix," he concluded, "we have to tough it out."

What else is to be done? Ireland's predicament is like that of other small countries whose economies are tied to bigger ones, such as Denmark and Austria to Germany, Portugal to Spain, and Canada to the US. "The small boats in the bay always know where the big boats are, the big boats never know," says Mr Quinn. "We can't change geography."

Yet Ireland has done better than most. Since it entered the then European Community in 1973, it has reduced the proportion of its trade with the UK from 80 per cent to 30 per cent, mostly indigenous food exports. Though these industries are jobs-intensive, the Irish intend to loosen progressively the umbilical cord with Britain.

But Ireland also epitomises the European dilemma as the 15 member states strive to meet the targets set down by the Maastricht treaty for European monetary union. Though growth is expected to be high (6 per cent this year), it remains vulnerable to high unemployment (more than 17 per cent last month).

Mr Quinn counters that Ireland, along with Luxembourg, is the only EU member state to meet Maastricht's tough budgetary deficit and debt targets.

Its inflation rate has averaged under 3 per cent, compared with the EU average of 4.5 per cent. Unemployment is high, "but we are no longer treading water".

Ireland wants to convince the outside world its economic future is not wholly dependent on Britain. Yet it clearly hopes the UK will have second thoughts about not joining a single currency in 1999.

The nightmare for Ireland is having one foot in a fixed exchange rate camp with the French and Germans, and the other in the UK running a floating exchange rate policy.

No wonder Mr Quinn, like several of his EU colleagues, welcomed the assault of Mr Kenneth Clarke, UK Chancellor of the Exchequer, on British Euro-sceptics for undermining sterling and, implicitly, making the UK's chances of entering Emu more difficult.

US and Russia attempt to limit the damage

Bruce Clark, Diplomatic Correspondent, examines the background to today's fence-mending exercise

Renewed fighting in both Bosnia and Chechnya has clouded the atmosphere for today's meeting in Geneva at which the US and Russia will be struggling to patch up their differences over European security, arms control and proliferation issues.

Mr Warren Christopher, the US secretary of state, and Mr Andrei Kozyrev, the Russian foreign minister, will be looking for a way out of the impasse that has arisen following Moscow's objections to a US-inspired plan for Nato enlargement.

The US and Russia have been discussing since January the possibility of clearing up misunderstandings over European security through an exchange of letters between Presidents Bill Clinton and Boris Yeltsin.

But the precise terms of the exchange – expected to include an assurance to Moscow that the west does not intend to isolate Russia – have so far proved impossible to agree on.

As Russian officials see it, the US letter might pave the way for some formal consultation mechanism between Russia and Nato. This would stop short of giving Moscow an explicit veto in European security, but it would formalise Russia's right to be asked about strategic issues.

Russian officials have hinted at several others moves the west could make to sweeten the pill of Nato embracing Moscow's former satellites in central Europe.

These include:

● a promise that newcomers to Nato will not routinely play host to foreign troops or nuclear weapons;

● clearer western recognition of Russian influence in the former Soviet Union;

● and a revision of the terms of the treaty on conventional forces in Europe.

However, the west has shown no sign of yielding to any of these demands, and Moscow has given no firm promise to bless the expansion of the western alliance in the event of their acceptance.

Mr Kozyrev and Mr Christopher will also be discussing the longer-term outlook for US-Russian relations, which received a badly needed boost this week when President Clinton accepted the President Yeltsin's invitation to attend celebrations in Moscow in May marking the 50th anniversary of the end of the war in Europe.

The prickly state of US-Russian ties was underlined yesterday when Russian officials tried to play down assertions, made last week by Mr Yeltsin himself, that military hardware would be kept out of sight in the victory parade to avoid embarrassing Mr Clinton. Mr Yuri Yarov, a deputy prime minister, claimed US sensibilities had not been a factor in planning the celebrations.

While enthusiasm in Moscow for the US-Russian relationship has cooled distinctly in recent months, Russian officials say there is still an urgent need for both countries to work together in the field of nuclear non-proliferation, and to map out the possibility of further deep cuts in strategic arms. Before that can be done, however, say diplomats, there are considerable obstacles to the fulfilment of existing arms treaties that need clearing.

Mr Andrei Kortunov, deputy director of the US and Canada Institute in Moscow, described today's meeting as "an exercise in damage limitation". He said that despite all the irritants in US-Russian relations, "there is a clear desire on both sides to avoid explicit conflict".

The Russian parliament, he said, seemed unlikely to ratify the Start2 treaty on long-range arms without attaching preconditions. Mr Yeltsin might therefore decide simply to implement the treaty without formally ratifying it.

EUROPEAN NEWS DIGEST

Turks keep up Kurd attacks

Turkish aircraft pounded Kurdish rebel camps along a 300km front inside north Iraq yesterday for a second day while ground forces advanced in pursuit of separatist guerrillas, the military said. Colonel Dogu Silahcioglu told a briefing in Diyarbakir, command centre for the operation involving up to 35,000 troops, that at least 24 members of the Kurdistan Workers' party (PKK) had been killed. Eight soldiers were also dead. The casualty figure contrasted sharply with one of 200 PKK rebels being killed, with no Turkish casualties, which had been given earlier by Mr Mehmet Golhan, defence minister. *Reuter, Diyarbakir, Turkey*

■ Mr Onur Oymen, Turkey's ambassador to Germany, yesterday held talks with the German interior ministry in a bid to halt the wave of arson attacks against Turkish banks, cultural centres, newspapers, and mosques. The meeting followed fire-bombings earlier in the day of the Hürriyet daily newspaper in Berlin, and banks in Cologne and Gelsenkirchen in the Ruhr district. The interior ministry has blamed Kurdish militants. However, the attacks coincide with a decision by Mr Manfred Kanther, the interior minister, to deport Kurdish militants based in Germany. Several states governed by the Social Democratic party have said they will not implement the decision, for humanitarian reasons. *Judy Dempsey, Bonn*

Spaniards resume fishing

Spanish trawlers have resumed fishing in the disputed area of the north-west Atlantic where Canada seized a vessel earlier this month provoking a diplomatic dispute between Canada and the European Union. According to the Canadian fisheries department, the vessels were sighted on Monday evening and early yesterday morning on the "Nose" of the Grand Banks, just outside Canada's 200-mile fishing zone.

The department said it was "monitoring the situation." Mr Brian Tobin, Canada's fisheries minister, last week warned that any vessels caught fishing Greenland halibut, also known as turbot, in this area faced the same enforcement action taken against the Spanish trawler Estai. The Estai was arrested and escorted to St John's, Newfoundland. It was released last week after its owners posted a C$500,000 (US$357,000) bond. Charges were laid against its captain, under Canada's fish conservation laws, and part of its cargo was confiscated. Spain, backed by other European Union members, disputes Canada's right to enforce its laws beyond the 200-mile limit. *Bernard Simon, Toronto*

Tapie prosecutor urges jail term

The prosecutor in the trial of Mr Bernard Tapie in Valenciennes yesterday requested that the Radical party politician and former head of Olympique-Marseille football club serve six months in jail for allegedly being responsible for "corruption and suborning two witnesses" in rigging a match two years ago between his club and Valenciennes. Mr Tapie said: "If necessary, I will go [to prison]... it won't be the death of me."

The case against him appeared to take a turn for the worse on Monday when Mr Jean-Pierre Bernès, a former Marseille manager, said he had agreed with Mr Tapie that they would claim a phone call that Mr Bernès received from Mr Boris Primorac, an ex-trainer at Valenciennes, was an offer to rig the match. But Mr Primorac has affirmed that, once the match was played and the bribery allegations surfaced, Mr Tapie offered him money to take the blame for initiating the match-rigging.

Mr Tapie denied meeting Mr Primorac on the day in question but his alibi that he was meeting a fellow left-wing MP, Mr Jacques Mellick, elsewhere collapsed on Saturday when the latter admitted lying. Mr Mellick is now to stand trial for allegedly pressuring a witness to support his false story. *David Buchan, Paris*

Romanian sell-off bill passed

Romania's Chamber of Deputies yesterday passed a delayed mass privatisation programme (MPP) and the country's first post-communist bankruptcy law. Both bills have been approved by the Senate and now pass to President Ion Iliescu for promulgation. Tha MPP aims to sell off about 3,000 state companies, around half of those earmarked for privatisation under a 1991 law, within the next year. The IMF and World Bank have made further loans conditional on the passing of bankruptcy legislation and the acceleration of privatisation. Romania has sold off about 900 mainly small state companies under the 1991 scheme, with most purchased by management and employee groups.

Analysts and World Bank and IMF officials have welcomed moves to speed up privatisation but say the MPP is too complicated and will be difficult to implement. Yesterday's voting came as about 40,000 workers protested in Bucharest over the government's decision to freeze public sector wages at last November's level. *Virginia Marsh, Budapest*

Fraud raid at Commission

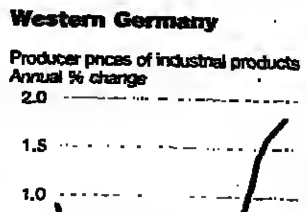
Belgian fraud police raided European Commission offices yesterday in the latest step of a probe into alleged misuse of European Union monay earmarked for tourism projects. The raid focused on the offices of the Commission's tourism directorate, workplace of three officials who have been suspended while police inquiries continue. Mr Nikolaus van der Pas, spokesman for Commission President Jacques Santer, said the action was at the Commission's request, adding that diplomatic immunity for the three officials, one French and the others Greek, had been lifted.

Allegations concern money paid in 1990 to secure contracts awarded as part of the European year of tourism, UK television station ITN reported. It said that payments of up to £300,000 ($492,000) were allegedly made in return for contracts. The fraud probe has added fuel to the 15-country bloc's festering row over spending controls on its budget. *Reuter, Brussels*

ECONOMIC WATCH

Producer prices edge up

Western Germany



Source: Datastream

West German producer prices edged up in February but the increase was roughly as expected. The February price index level was 1.8 per cent above that of the corresponding month in 1994, after a 1.7 per cent year-on-year increase in January, according to the federal statistics office. The producer price level in February was 0.2 per cent higher than in January. "Producers are still not able to carry through higher prices to their customers," said Mr Mathias Haffner, an economist at Barclays de Zoete Wedd in Frankfurt. "This is a good sign for inflation but bad for companies' margins, in particular those that have to pay more for imported raw materials." Among products showing significant rises in February over January were liquid gas, aluminium goods and polyethylene. Inflation figures due this week are expected to show an annual increase rate of about 2.4 per cent in March, unchanged from February. The Bundesbank said this week that consumer prices rose at an annualised rate of 2.5 per cent over the December-February period, against 2 per cent in September-February. *Andrew Fisher, Frankfurt*

■ The Dutch producer price index for manufactured goods rose a provisional 1.0 per cent in January from December, giving a 4.2 per cent rise year-on-year.

■ France's current account showed a seasonally adjusted surplus of FFr12.93bn ($2.6bn) in December after a revised FFr1.69bn deficit in November.

Businessmen strain at EU chains

By John Mason in London

A programme of deregulation throughout the European Union is urgently required "to stem the slow bleeding of Europe's economic lifeblood", an Anglo-German working group of businessmen reporting to their two governments concluded yesterday.

The reduction of labour market legislation, the appointment of a senior European commissioner with specific responsibility for deregulation and the repealing of a number of EU directives were among the group's proposals designed to create a new climate of reducing burdens on business.

The Anglo-German deregulation group was set up by Mr John Major, the British prime minister, and Chancellor Helmut Kohl after their summit last April. Members of the group included Mr Peter Agar, deputy director-general of the Confederation of British Industry, and Dr Bernd Gottschalk, a director of Mercedes Benz.

Their report was welcomed by Mr Major who said: "Too much red tape, whether at home or from Brussels, can only strangle competitiveness. I believe that the British and German governments must work closely together to promote deregulation in Europe over the coming months."

The report warned that over-regulation in the EU was an increasingly dangerous threat to the economic competitiveness of member states. Each week saw more regulation passed and more businesses deciding to locate outside the EU, it said.

It was particularly critical of legislation inhibiting a flexible labour market, concluding that it entrenched rigidities.

"There are several proposed or agreed directives which are inconsistent with the growth of flexible working and which accordingly will destroy jobs in Europe at a cost to Europe which could run into tens of billions of Ecus," it warned.

The working time and atypical work directives on working hours were singled out as being a particular burden on business and should be abandoned, the group recommended. Health and safety legislation should also be reviewed, notably the display screen equipment and physical agents directives.

The group made a special study of three sectors: chemicals, food and transport.

It recommended lessening the impact on the chemicals industry by amending the proposed integrated pollution prevention control directive and the dangerous substances directive. The food industry should be aided by abandoning proposals for more sweeteners labelling and to limit tobacco advertising. In transport, the group recommended ending any attempt to bring in European standards for the movement of hazardous goods.

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EUROPE CLOSES RANKS OVER CULTURE

EU set to strengthen film and TV quotas

By Caroline Southey in Brussels

The European Union commissioner for audio-visual affairs will today propose strengthening the EU's quota in the short term to protect its television and film industry against foreign productions. However, the system will be scrapped after 10 years.

Senior EU officials are confident Mr Marcelino Oreja's proposal will break the deadlock over a revised quota system for the Union. His latest draft attempts to strike a balance between countries such as France, Greece, Portugal and Belgium, which want a stronger quota system, and others, such as Britain, which want it scrapped altogether.

"There is a commitment among all the commissioners to end the impasse. All would like to see the matter settled soon. There appears to be a majority in favour of the compromise," an EU official said.

France is expected to oppose the 10-year limit imposed on the quota, but Commission officials were hopeful that it would support the measures.

Disagreement about the quota was triggered last year when France, backed by some commissioners, sought to strengthen the EU's 1990 Television Without Frontiers directive.

This requires 51 per cent of material shown by European television channels to be of European origin, but only "where practicable".

France fought hard to persuade its European partners that the directive should be strengthened by the removal of the words "where practicable" and a tightening of the definition of European-made programmes to exclude chat and game shows.

Mr Oreja's draft, which has already been revised since it was first put to Commission officials last week, removes the words "where practicable" which will close any loopholes in the present system.

But in a bid to keep countries which oppose the quotas on board, the system will be scrapped after a decade.

Mr Oreja's plan proposes that new multimedia services, such as television on demand, should be kept out of the directive.

Instead, a trilateral committee representing Mr Oreja, Mr Martin Bangemann, commissioner for industry, and Mr Mario Monti, internal market commissioner, will draw up separate proposals as a first step to creating new legislation for the sector.

The proposal also distinguishes between channels that make general programmes and "thematic" channels such as TNT and Cartoon Network. "Thematic" channels will have the choice of sticking to the production quota or investing 25 per cent of their budgets in European productions.

The plan still has to be agreed by EU culture ministers who meet in Luxembourg on April 3.

France defends cinematic legacy

By Andrew Jack in Paris

The country that invented the cinema is not going to give up its legacy easily – especially on the centenary of its birth.

As France intensifies its campaign to maintain state support for its film industry, it is also reflecting on cinematography over the past 100 years. In 1895 the brothers Lumière – Louis and Auguste – developed the concept of moving pictures in Lyons, and were swiftly followed by two others whose names live on today in French film: Charles Pathé and Leon Gaumont.

The centenary of cinema has brought a bout of celebrations including a national cinema day in January, construction of a new cinema museum in Paris, widespread release of the recently discovered colour version of Jacques Tati's classic comedy Jour de Fête, and the inevitable debate on the future of cinema.

However as the CNC, the government-backed national centre for cinematography, warned in its latest annual report last year the temporary victory for France in defending the film and TV industries in the Gatt trade talks was only a "temporary victory".

With France holding the six-month presidency of the European Union and in the run-up to the presidential elections in April and May, politicians of all sides remain convinced of the need to shield the film industry, particularly from the influence of US culture.

The EU: arguing over what to watch

French cinema attendance and film production remains extremely strong, and a high proportion of the films shown in the country's cinemas are of French origin.

The British may scoff at many French films involving little more than intense discussions about personal relationships, but a number of films in recent years have proved popular overseas as well as domestically.

In addition it was the British, alongside the Italians whom the French have long considered their only cultural equals, who provided finance for the highest number of co-productions in France last year. Government levies and French language quotas required on the national television channels boosted the total number of financially aided films last year to 1,297 hours across the six channels.

However, prospects for the future are not necessarily healthy. The number of French films produced last year dropped to 89 from 101 in 1993 and total investment including co-productions fell from FFr3bn to FFr2.8bn (£355m) last year.

Equally, US films remain dominant in French cinemas, overtaking French films in 1987 and now holding about 57 per cent of the market.

Gingrich warns of retaliation by Washington

By Nancy Dunne in Washington

A tightening of restrictions on foreign film and television by the European Union will not go unanswered on Capitol Hill.

Mr Newt Gingrich, the Speaker in the Republican-controlled House, and seven other Republicans met film industry executives last week after which Mr Gingrich warned that the US could easily pass a law cutting off imports of Europe's "most sensitive, high-technology high-growth areas".

Mr Jack Valenti, president of the Motion Picture Association of America, and central figure in the formulation of the US response, yesterday played down threats of retaliation. He favoured waiting to see the final outcome of the EU initiative on quotas.

Mr Gingrich, he said, "wanted to make sure that he [Gingrich] could do all in his power to make sure we had access to the world marketplace."

Mr Valenti also said that the Speaker had agreed to establish a task force of key committee and subcommittee chairman to work with the industry to develop goals which could be developed into legislation.

The MPAA president has preferred to deal with the issue peacefully. He said Hollywood was "engaged in dialogue" with the European Producers Association and had met French producers.

"My overarching aim is to help Europe build a strong busy thriving cinema and television industry," he said.

"Wherever the cinema and television industry in a country is strong, the market is larger. Wherever there is expansion, we will get our just share of that if we put out television programmes and movies that people want to see."

The US film industry is the country's second largest export earner. The Clinton administration demonstrated its commitment to the industry's continued health in a recent confrontation with China over intellectual property which ended all Chinese quotas on foreign films.

Mr Valenti argued that the industry had nothing to do with government regulation: "I don't know one prime minister that has ever made a movie.

"Some people don't understand. When you can hurl down programmes from a satellite with the speed of light to 3.5bn people simultaneously, you live in a global marketplace. You can't fence off your borders.... It is a worldwide marketplace."

Republicans threaten to trim Commerce Department

US agency defends its work

By Nancy Dunne in Washington

Jeffrey Garten (left) and Jesse Helms: should the trade train be reversed?

The US Commerce Department yesterday mounted a strong defence against the first of several Republican threats to slash its budget and transfer its functions to other agencies.

At a hearing before the Senate international finance committee, Mr Jeffrey Garten, under-secretary of commerce for trade, yesterday warned against a proposal to transfer part of the department's US foreign and commercial service to the State Department. "It would be tantamount to taking a train which has been going down a successful track and backing it up," he said.

With a staff of 1,300 and a budget of $137m (£86m) – the smallest for such a commercial agency among the industrialised countries – the commercial service has been helping small- and medium-sized US companies devise export strategies and has been providing introductions to promising markets.

Mr Garten said that, on a conservative estimate, every dollar spent by the Commercial Service (US&FCS) generated $29 worth of exports. His defence of the agency was backed by a former under-secretary, Mr J. Michael Farren, who warned that moving the US&FCS "would be turning the clock back on incremental progress made by three administrations".

The US&FCS dismemberment has been proposed by Senator Jesse Helms, right-wing chairman of the Senate foreign relations committee, who believes its foreign policy functions could better be performed at the State Department. But Mr Alfonse D'Amato, chairman of the banking committee, threw his support behind Commerce.

The attacks on Commerce come now that it has grown more visible. Mr Ron Brown, Commerce Secretary, vowed to make it "a power-house". Within tha business community, he is widely thought to have succeeded.

The commerce department will have to defend itself in a number of venues. The House appropriations sub-committee has already cut its grants for telecommunications infrastructure and manufacturing technology centres, two programmes strongly supported by business.

Senator Robert Dole, Senate majority leader and a presidential hopeful, has also backed government restructuring. He wants the elimination of four departments and the merger of Commerce's trade functions with those of the US Trade Representative's office.

In the House, new members are calling for the complete dismantling of Commerce and of the departments of education, energy and housing. They will have to contend with senior Republican moderates such as Senator Christopher Bond, chairman of the sub-committee, who said: "In a perfect world, we should not need an agency like the US&FCS." But, without it, US companies, especially small ones, would be at a serious competitive disadvantage, he said.

Industry set for telecoms hearings

By George Graham in Washington

Telephone and television industry interest groups squared off yesterday for one last round of hearings before the Senate commerce committee tomorrow starts line-by-line drafting work on a comprehensive reform of telecommunications legislation in the US.

Senator Larry Pressler, the committee's Republican chairman, and Senator Ernest Hollings, its senior Democrat, have been working to pull together a bill both their parties can back but, after meetings on Monday, three main issues remained unresolved: whether cable television companies should be released from the price restrictions imposed on them in 1992; whether rules to limit the number of television or radio stations a single company may own should be relaxed; and how far foreign companies should be allowed into US telecommunications markets.

Mr Decker Anstrom, president of the National Cable Television Association, said cable companies saw their revenues flattened and their cash flow in decline last year as a result of the controls on their pricing, which had drawn support from both parties in 1992 because of widespread overcharging by companies enjoying monopolies in their local areas.

He said cable companies had cut their prices by 17 per cent and now faced competition, not only from telephone companies, which have been allowed by the courts to start offering video services, but also from direct satellite broadcasting.

But Mr Bradley Stillman, telecommunications policy director of the Consumer Federation of America, countered that telephone companies and satellite broadcasting were not yet commercial competitors for cable.

When competition exists in fact, he said, the 1992 law provides for its price restrictions to be lifted automatically.

On broadcast ownership, the National Association of Broadcasters yesterday told the committee that it supported repeal of restrictions on the number of radio stations a company could own, but remained nautral on television station restrictions.

Some media groups, led by Mr Rupert Murdoch's Fox network, strongly support the repeal of restrictions on ownership of more than one television station in a single market and on the percentage of the national market a single group may own. But repeal is opposed by most local stations affiliated with the major ABC, CBS and NBC networks.

Argument is also expected ovar the extent to which the current restrictions on foreign ownership of communications companies should be relaxed. The Federal Communications Commission has already proposed its own set of draft rules to link authorisation for a foreign company to enter the US market with reciprocal access for US companies to its home market.

Split in party over child tax credit cap

By George Graham in Washington

More than 100 Republican members of the House of Representatives have written to their party's leaders asking for a proposed tax credit of $500 (£316) per child to be limited to families with incomes of less than $95,000 a year.

The letter is a significant break in party unity over the tax cut, which is one of the central planks in the Republicans' Contract with America manifesto. It reflects growing concern among party members, not only that the proposed tax cut would make it harder to balance the federal budget, but also that they are being pushed into the position of defenders of the wealthy.

The suggestion that the $500 child tax credit should be capped at $95,000 incomes brings almost half of the House Republicans into closer alignment with President Bill Clinton, who has suggested a ceiling of $75,000, than with the Contract's suggestion of $250,000, which is estimated as apt to cost $105bn in lost revenue over the next five years.

Mr Clinton's narrower proposal, which would be phased in and apply only to children under 13, rather than to the Republicans' age limit of 18, is estimated to cost only $35bn over five years.

Republicans have until now criticised Mr Clinton's proposed cap as an attempt to fuel class warfare.

The letter yesterday has drawn support from a broad range of Republican members. It was circulated by Congressman Pat Roberts, chairman of the agriculture committee and in his 15th year in Congress, and by Congressman Greg Ganske of Iowa, in his first term. Nine other committee chairmen signed and so did 34 other first-term members.

The House revolt over the tax cut comes as Senate Republicans are making clear that they planned to use any savings from spending cuts to reduce the budget deficit, before even considering tax reductions.

After a weekend retreat, attended by Republican and Democratic members of the Senate finance committee, as well as by Mr Robert Rubin, treasury secretary, Senator Robert Packwood, committee chairman, said he was prepared to propose severe cuts in government spending, including programmes often regarded as untouchable such as social security pensions and tax expenditures.

"To the extent that we can both reduce the deficit to zero over seven years and have tax cuts, so much the better, but I don't think we should put the priority of tax cuts first and then reducing spending later," Senator Packwood said.

Brazil seeks new ways to turn the lights on

Energy shortages and long delays in new power stations signal the need to change from state-led path, writes Angus Foster

While parts of Brazil suffer power cuts and the whole country faces possible energy shortages, work on more than 50 planned power stations is stalled. The delays, caused by the government's financial problems, reflect the exhaustion of Brazil's state-led development model and have come to symbolise the need for change.

A law approved last month will help by allowing the private sector to compete with state companies for some generating projects. Analysts believe it is the first step toward a slow but comprehensive privatisation of Brazil's electricity sector, one of the developing world's biggest.

Mr Raimundo Brito, mines and energy minister in the new government of President Fernando Henrique Cardoso, says: "The political will exists to change the state's role in the economy. I don't see why the state, which does not have the resources anyway, should be investing in the economy's infrastructure."

The state-led model prescribed government ownership of most of the electricity system through its holding company Eletrobrás, which in turn controlled most of the generators. Eletrobrás also held stakes in generators and distributors controlled by state governments.

The model worked well until the beginning of the 1980s and provided subsidised power for poorer regions. But mounting financial problems forced the government to reduce investment. After a decade of cuts, planned investment for 1993 was similar to 1973 levels, even though electricity consumption had increased four-fold during the period. The result was mothballed power stations and declining standards.

The new legislation seeks to revive the sector by attracting private investment. Power stations whose construction has not yet started, or where the concession holder lacks funds to finish the work, will be re-tendered. Private companies, which can often arrange better financing, are likely to outbid state companies on many projects.

State companies which do not satisfy the government's financial and management standards may even lose concessions. And, if separate legislation is passed, the private sector could be allowed for the first time to generate energy for sale as well as its own use.

The private sector has reacted positively to the new law, with heavy users of energy, such as metals and industrial companies, expressing interest in generation. Several construction groups are also thought to be planning consortiums to bid for projects. Mr David Zylbersztajn, energy secretary in the southern industrial state of São Paulo, says he is being approached "almost daily" by potential investors, including foreigners ones from the US, UK, France and Australia.

Potential investors remain cautious, warning that re-tendering will not begin for several months and the government's long-term planning for the sector is under review. Estimates that the system's 52,700MW capacity needs to grow to 79,000MW by 2003 assume an annual 4.7 per cent increase in demand and annual investment of 6.1bn Reals (£4.3bn) until 1998. But demand is rising more rapidly than projected, and investment has been much lower.

Mr Brito points out that change in the sector will take time and is "a process" the rules and regulations of which will be set by the present government, but which may take longer to complete. A further sign of the government's cautious stance is that it has so far only confirmed the privatisation of Escelsa, a small distribution company which will be auctioned at the beginning of May, and Light, a distributor in Rio de Janeiro state.

Government caution stems from concerns that sweeping privatisation is not possible under the sector's present legal structure. Because of constitutional and legal restrictions, Eletrobrás cannot sell certain assets such as its nuclear facilities and a 50 per cent stake in the Itaipu hydroelectric dam, the world's largest. The company also performs important planning, technical research and development banking functions which cannot ba transferred to the private sector.

The government has a tentative plan to hive off Eletrobrás' operating arms to prepare for the eventual sale of stakes in its four main generators and transmission companies. But such changes could take two years to prepare. Meanwhile, Brazil lacks an adequate regulatory structure to monitor newly privatised companies. The national department of waters and electric energy, DNAEE, has some pricing and regulatory powers but lacks the resources to prevent newly privatised companies becoming abusive monopolies.

"You can only have free markets if you have someone to guarantee free competition," according to Mr Zylbersztajn.

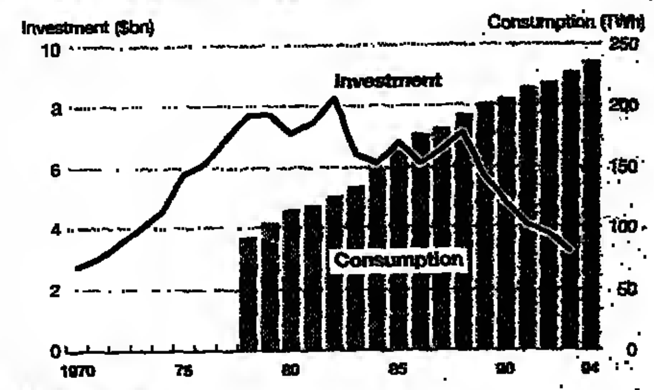
The other brake on privatisation is the parlous financial state of some of the most obvious candidates. The government, and state governors, are likely to try to delay sales in the hope of gaining better prices. Some analysts argue, however, that central and state governments' need to raise money to reduce debts could force them to sell companies quicker than they might like.

São Paulo state controls two of the most attractive privatisation candidates: Cesp, Brazil's biggest generator, and Eletropaulo, the country's largest distributor. The latter provides electricity to 5.5m households, making it one of the world's 10 biggest distribution companies.

However, after nearly a decade of political interference and bad management, both companies are in financial trouble. Eletropaulo buys electricity at the equivalent of $31 per MW/h and charges customers $60. Yet, thanks to inefficiency, corruption and high financing charges, the company has lost money every year since 1990 and in the first nine months of last year lost 357.9m Reals.

"At this stage, privatisation is a bad deal because these companies are very lowly valued. We are not contra privatisation, it is just that we are not in favour of it at any cost," says Mr Zylbersztajn.

Brazil: electricity sector



Source: Eletrobrás

Senate's line item veto vote near

By Jurek Martin, US Editor, in Washington

The Senate will probably vote this week on a compromise bill to give the president new powers to strike out specific spending proposals without sacrificing an entire piece of legislation.

The critical motion, likely to come late today, will seek to obtain the 60 votes necessary to break a Democratic filibuster against the line item veto bill. Senator Robert Dole, the Senate majority leader, said all 54 Republicans were on board, but he stopped short of predicting he could secure six Democratic defections.

Democratic resistance is two-fold. Senator Tom Daschle, the minority leader, is complaining that the new compromise bill was drawn up without the normal bipartisan consultation and public hearings.

Also, the Democrats unveiled yesterday their alternative legislation. This would make it easier for Congress to override a line item veto and would broaden the taxation categories liable to a veto, including the capital gains tax cut high on the agenda of conservative Republicans.

The Republican bill, sponsored by Senator Dole, would break up broad appropriations bills, often covering several government departments, into a separate bill for each item of spending.

In a minor concession designed to attract Democrats, the Dole bill would also make liable to veto narrowly targeted tax breaks for special interests, but would, to satisfy Republicans, render specifically liable new or expanded spending on entitlement programmes, such as welfare.

The Dole bill, which would have a four-year life, requires a two-thirds vote in both chambers of Congress to override a line item veto, whereas the Democratic version would allow the president's decision to be reversed by a simple majority in either chamber.

President Bill Clinton issued a statement on Monday night, urging the Senate to pass "the strongest possible line item veto bill". Presidents Ronald Reagan and George Bush had called for similar authority to cut spending passed by Congress which they deemed wasteful.

Mr Clinton expressed no preference for either bill, a different version of which has already passed the House of Representatives. He is keen to claim political credit for approval, as are the Republican leaders.

This is particularly true for Mr Dole, whose leadership of the Senate is under some fire from conservative Republicans for failing to deliver on the Contract with America proposals that have been rattling through the House at speed.

But the Contract faces further trouble in the Senate. Senator Bob Packwood, finance committee chairman, is now promising to block the $188bn (£119bn) tax-cutting proposals advanced last week by Republicans in the House unless offsetting spending reductions were agreed first.

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NEWS: WORLD TRADE

Winning the leadership was the easy bit

'Rocky' Ruggiero faces a hard task in leading the WTO in the wake of the international squabble that marked its birth

By Guy de Jonquières, Business Editor

At an age when most men contemplate retirement, Mr Renato Ruggiero, who emerged yesterday as victor in the race to head the World Trade Organisation, is about to embark on the task of firmly establishing a new international institution with a central role in global economic policy.

The 64-year-old career diplomat – whose pugilistic build has earned him the nickname Rocky – brings to the job much high-level international experience. It includes spells as a senior European Commission official, as a sherpa at several world economic summits and as Italy'a trade minister.

He is likely to need all his diplomatic skills and fighting apirit to get tbe WTO back on track. The lengthy tussle over its leadership has emhittered relations hatween the world's biggest trading powers and severely strained the consensus by which the body is supposed to operate.

One of his key tests will he to gain the full confidence of the Clintou administration, which resisted his appointment until the end. Its opposition became highly personalised, when senior officials branded him "too protectionist" and a representative of "over-regulated economies".

Mr Ruggiero has rejected thesa accusations, pointing out that, as trade minister, be helped liberalise Italy's capital markets and removed barriers to Japanese car imports – for whicb be was decorated by the Japanese government. He insists that, as the first choice of more than half the WTO's members, his support is broadly based.

However, his victory also owes much to the energetic backing of Sir Leon Brittan, the EU trade commissioner, who helped mobilise support for Mr Ruggiaro across Europe and from many developing countries dependent on EU trade and aid.

US officials have blamed Sir Leon for turning the contest into a regional power struggle. Many WTO members also suspect he wanted a man in the job who would treat tbe EU favourably. That is an impression Mr Ruggiero will doubtless want quickly to dispel in the interests of restoring WTO unity.

Mr Ruggiero has tried hard to stay above tbe acrimonious politicking surrounding his candidacy, focusing in public on the heavy agenda facing the WTO, whose first task is to implement fully the Uruguay Round world trade agreement.

The WTO is also set to tackle a range of othar complex, and oftan politically inflammatory, policy issues. These include links between trada and the environmant, competition policy and labour standards, the liberalisation of investment and the admission of new members, including China and Russia.

Mr Ruggiero has sought to steer a middle course when addressing the most controversial questions. For instance, ba has aupported industrialised countries' demands for tough environmental standards, while sharing developing countries' concern that they should not result in trade protection.

One of his favourite themes has also been the importance of ensuring that the multilateral trade system is not undermined by the growth of economic regionalism. That is a topic on which the geographically divisive contest for the WTO leadership has doubtless provided bim with a wealth of fresh insights.

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Ruggiero: key test will be to win full confidence of Clinton administration

EU to suspend anti-dumping duties on D-Ram chips

By Caroline Southey in Brussels

The European Commission is preparing to suspend anti-dumping duties on Japanese D-Ram microchips as part of a reassessment of a ranga of duties imposed in 1990.

The decision to suspend the 14 per cent anti-dumping duty on all D-Rams (dynamic read and write memory chips), imported into the European Union from Japan has been taken at the political level, a Commission official said.

The legal text is being prepared and an announcement is due within the next few weeks.

The commission will review conditions in the market before taking a final decision. "On the evidence gathered so far the Commission does not think there is a case for continuing with the measures," the official said.

The Commission could have chosen to conduct the review with the duties in place, but has elected to suspand the measures until the review is completed.

The review, which could take from six months to two years, will establish whether Japanese companies are still dumping D-Rams on the European market and wbetber European industry is losing market share as a result.

"Evidence so far suggests that Japanese prices have been raised and that European companies are no longer suffering injury from unfair pricing policies," the official said.

EU companies whicb use D-Rams have urged a relaxation of the measures in favour of a more liberal agreement. They argue that prices have been sustained at high levels and that demand is far outstrlpping supply. But EU D-Ram manufacturers have maintained tbat Japanese prices have posed unfair competition.

The European market for D-Rams of all sizes is predicted to reach $5bn this year. The world market for semiconductor memory is growing by 80 per cent a year.

The present industry standard is the 4-megabit D-Ram, whicb has been in increasing demand worldwide. D-Rams are the basic building blocks of memory systems used in electronic equipment such as personal computers, telephone handsets, supercomputers and telecommunications switches.

Korean D-Rams are presently subject to duties of 14 per cent on imports into the EU. South Korean manufacturers are required to provide cost and price data on a quarterly basis to guard against dumping in the EU.

WORLD TRADE NEWS DIGEST

Ariane rocket launch delayed

The launch of a European direct television broadcasting satellite and a Brazilian telecommunications satellite will he delayed until at least next week, officials in charge of the Ariane rocket programma said yesterday. The delay follows the decision to balt the launch of the 71st Ariane rocket from French Guiana lete on Monday hecause of a suspected fuel line leak in the rocket's third stage. Last year the Ariane programme experienced two failures linked to the rocket's complex cryogenic third-stage which burns a mixture of liquid hydrogen and liquid oxygen. Two payloads were sent plunging into the Atlantic ocean. Ariane's latest launch had already been delayed for a week by technical difficulties. *Paul Taylor, London*

India extends phone deadline

India's department of telecommunications has extended hy almost a month the deadline for bids to provide basic and cellular telephone services because of hundreds of detailed queries on clauses and conditions in the tender documents. Tenders for cellular services must now be submitted by April 21, while those for basic services must be in by April 28. The original bid deadlines were March 30 and 31 respectively. In January the government released terms for the bid round which required Indian private companies to form joint ventures with proven foreign telephone network operating companies, with foreign investment limited to 49 per cent. Bidders will compete for 20 regions roughly corresponding to India's state boundaries. *Mark Nicholson, New Delhi*

■ Australia is to resume live sheep exports to Saudi Arabia, a trade which was halted four years ago for health reasons. Parliament was told the trade could restart next month, after agreement on health-related guidelines, and had the potential to add about A$20m ($14.7m) a year to Australia's Middle East exports. *Nikki Tait, Sydney*

■ A consortium comprising Oryx and Santa Fe Minerals of the US and Chile's Clapso and state-owned Sipetrol has signed an agreement with the Ecuadorean government to explore for crude oil in the country's Amazon region. The consortium will invest some $60m and will have the right to exploit its discoveries over 20 years. *Raymond Colitt, Quito*

■ Sri Lanka's Dankotuwa Porcelain is to manufacture tableware for US designer label Ralph Lauren. *Reuter, Colombo*

■ Rolls-Royce of Britain has completed negotiations on a $15m turnkey project for a gas fired power station with Compania Boliviana De Energia Electrica of Bolivia. *Reuter, London.*

Set for one small step towards an open sky

The UK and US are starting a new round of aviation talks, writes Michael Skapinker

With their dispute over Northern Ireland beginning to recede, US and UK government officials attempt today to resolve another area of disagreement – aviation rights.

The discussions in London, expected to continue until the end of the week, are the first formal talks since tbe US walked out of aviation negotiations in December 1993.

In the last round of talks, the US demanded greater access to London's Heathrow, the world'a leading international airport. The UK wanted its airlines to be able to invest more fully in US carriers. Neither side would give way.

The airline industry believes the two governments will begin negotiating ou a far more limited set of objectives. Many in the US now accept that an open skies agreement with the UK is years away. It is better, they argue, to make incremeotal progresa than none at all.

The US is likely to make one important demand – that United Airlines be allowed to fly from Chicago to Heathrow. The UK is expected to ask for the rigbt to make more flights to Philadelphia. It is also likely to ask for US approval of a further tranche of code sharing agreements between Britisb Airways and USAir.

The UK will also ask the US to drop its "fly America" policy, under which foreign airlines cannot bid for contracts to transport US government employees. The UK argues that US airlines are already allowed to bid for British government business.

This is a long way from the open sky deals the US is negotiating with nine small European countries, six of them EU members. But UK and US aviation industry sources accept that the stakes in their talks are much higher.

Both sides have an asset the other would dearly like to get its hands on. For UK carriers, that asset is the vast US domestic airline market. About one-third of the 10m passengers who fly between the US and UK each year begin or end their journeys in one of the smaller American cities to which Britisb airlines are not allowed to fly.

To gain more access to the US domestic market, BA established an alliance in 1993 with USAir. BA owns 24.6 per cent of USAir's stock. BA would like to increase this stake and forge closer ties with the US carrier, but this is not permitted under US law. The right to establish more extensive links with USAir was a principal UK demand in the failed talks of 1933.

For the US, the hig UK asset is Heathrow, easily Europe's biggest airport.

United and American Airlines are the only two US carriers permitted to fly to Heathrow. In the last set of negotiations, the US demanded that other carriers be allowed to use the airport. The UK strongly resisted this demand. Heathrow is the power base of BA, one of the most profitable international airlines and one of a handful of UK companies with a genuine claim to be a world leader.

In the months after the negotiations broke down, the UK government made an effort to improve relations unilaterally. Last October Mr Brian Mawhinney, transport secretary, lifted all restrictions on transatlantic flights to the UK's regional airports. Mr Mawhinney called the decision "the most sweeping unilateral liberalisation move in the history of transatlantic aviation".

While US airlines said the announcement did little to resolve the issue of access to Heathrow, the US government sbowed it was prapared to move when last month it approved a loog-delayed code-sharing agreement between the UK's Virgin Atlantic and Delta Air Lines of the US.

That the US has limited its demands to asking for United to be allowed to fly from Chicago to Heathrow has caused some opposition from American Airlines.

If the UK agrees to a United route from Chicago to Heathrow, British skies will be only slightly more open than before. But as one airline industry executive said: "On both sides we've moved to an approach of 'let's do a bit at a time'."

Top ten routes

In June 1994

European point	US gateway	Airlines	Flights
London	New York	5	587
Paris	New York	6	239
Frankfurt	New York	4	210
London	Boston	4	150
London	Los Angeles	4	150
London	Washington	2	133
London	San Francisco	3	129
London	Chicago	2	120
London	Miami	4	111
Amsterdam	New York	3	94

Source: Civil Aviation Authority

Tokyo gas attack breaks strong taboos

It threatens an ordered society and challenges a cherished group ethic, writes **William Dawkins**

The gas attack on commuters in the Tokyo subway network, in which eight have died and nearly 5,000 been hurt, broke Japan's strongest taboos. It threatens the ordar of one of the world's most orderly societies; it is a murderous challenge to Japan's cherished group ethic, probably from within the group; and a reminder of the dark side of Japan's efficient urban life.

It is a second blow to the nation's self-confidence, after the Kobe earthquake in January, in what has started out as an extraordinarily tragic year for Jepan. If anything, the Tokyo attack hurts more than Kobe, one of Japan's long history of natural disasters. This ettack comes from within, as several Japanese newspapers pointed out yesterday.

The images of Kobe were poignant enough – the authorities struggling in the face of natural tragedy. The pictures from Tokyo are in some weys just as shocking, even if the toll of casualties is not as high as that of Kobe.

A row of office workers, stretched out choking and writhing on tarpaulin on a pavement in central Tokyo, supposedly one of the world's least threatening cities, looks terribly vulnerable. "The frightening thing is that we have no way of defending ourselves from such an attack," said a secretary interviewedin a television news report.

Little is yet known about who organised the attack or why. One of the few certainties is that it was an organised group effort, because of the danger in making sarin gas, and the organisation needed to place five canisters simultaneously on three subway lines et the busiest moment of the morning rush hour.

Four smaller such incidents, which passed largely unremarked until this week, suggest the perpetrators may have been preparing for a bigger attack. Even more sinister connotations emerge from tha discovery last week of three briefcases at a Tokyo subway station, containing tanks with an unknown liquid and small electric fans.

The fact that the three subway lines cross each other at Kasumigaseki, headquarters of Japan's all-powerful bureaucracy, including the national police headquarters, snggests the attackers may have had a grand target in mind – the centre of government.

"This is a bold challenge to the nation's social stability," said the Yomiuri Shimbun, Japan's largest circulation newspaper. Less clear is who to blame and what their motives are. Inevitably, the search for an answer will lead to some uncomfortable national soul-searching, just as did the botched official rescue after the Kobe earthquake.

"Whoever did this is alien to us," says Mr Toshio Kusamitsu, professor of social history at Tokyo University. "Yet one cannot help feeling society itself must have produced such people, with such a counter-culture. We have worked for economic success, yet are not 100 per cent happy with what we have created."

Mr Kusamitsu and many others in Tokyo over the past few days have speculated that the culprits may well be found among those excluded or marginalised in Japan's search for economic success, and in the recent recession.

The first reaction of the Japanese press was to point the accusing finger at a little-known religious cult, Aum Shinri Kyo, investigated by the police after a mysteriously similar gas leak last year near one of its branches in Matsumoto, central Japan, and accused of masterminding several unresolved kidnappings.

Aum Shinri Kyo, or Aum Supreme Truth, yesterday maintained it had nothing to do with the Tokyo attack, and accused the government of a "tricky crime" to implicate the group. But whatever the truth behind Aum Supreme Truth, the Tokyo attack bas drawn attention to a curious spiritual phenomenon of late 20th century Japan, the growth of new religions, some prone to extreme beliefs.

Aum, a nine-year-old Buddhist sect with about 10,000 members, is among the religious cults to have emerged since the second world war, claiming to offer a spiritual dimension to the humdrum lives of Jepan's armies of salarymen. Its founder, Mr Shoko Asahara, a would-be politician, believes he can levitate, that is, until the world ends in 1997.

Even more mainstream religious groups which have emerged since 1945 are marked by extremist personality cults.

At the most recent count, the government's cultural affairs agency knew of 231,000 Japanese religious sects with 215m members, more than 1.5 times the population of 124m.

Rebel ultimatum may wreck Sri Lanka peace

By Mervyn de Silva in Colombo

An ultimatum by Mr Velupillai Prabhakaran, supreme commander of the separatist Tamil Tigers, could wreck Sri Lankan President Chandrika Kumaratunga's hopes of a negotiated settlement of 12 year insurgency in the island's north.

The revolt has claimed more than 30,000 lives and kept defence spending at well over $1m e day.

Mr Prabhakaran at the weekend warned the ruling People's Alliance that the Tigers would abandon a 10-week ceasefire and resume fighting unless the government agrees by next Tuesday to three demands which eppear difficult for Colombo to meet.

First, the Tigers insist that the army's Pooneryn camp in the north should be removed or dismantled. It claims that Tamil civilians, including women and children, moving out of the northern peninsula to the mainland and to the capital Colombo are routinely barassed and their goods looted. The army says Tigers rarely wear uniforms and these apparent civilians are often hardcore guerrillas.

Second, the Tigers are demanding the removal of what they describe as an economic embargo on their Jaffna stronghold. As a confidence-building measure, tha government has removed 26 prohibited items – among them cement – from the 40 on its list. Army intelligence bas reported that the cement is used to build bunkers.

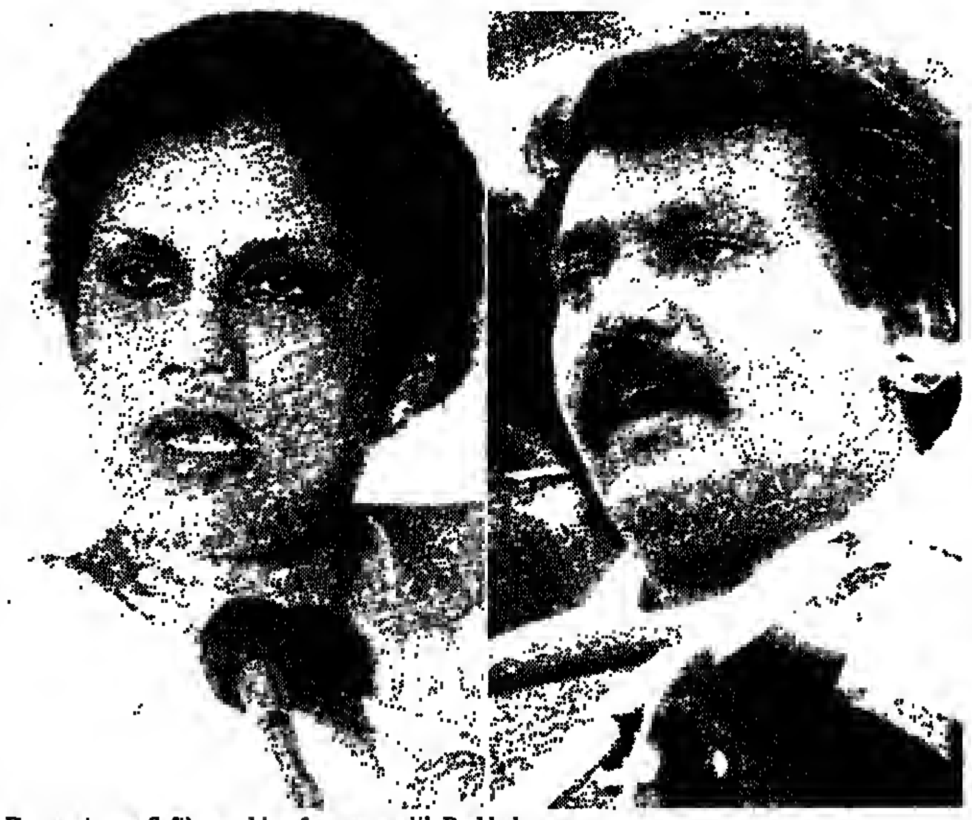
The third demand concerns freedom to use boats at night in traditional fishing villages. The navy has opposed such a move.

As a goodwill gesture the Tigers released 16 prisoners, all policemen from the Sinhalese majority community. But Mr Prabbakaran accused the newly elected government of going through the motions of peace negotiations to please international donors and those among the island's Tamil, Moslem and Christian minorities who voted for Ms Kumaratunga as "the peace candidate" at the November presidential polls. A record 63 per cent voted for her compared with the barely 50 per cent achieved by her political grouping at the September general election.

The prospect of a "peace dividend" is a central factor in the People's Alliance's calculations, says Dr Lal Jayawardena, the president'a economic adviser. "It is not just redneed defence costs that we have in mind but more investment, opening the beaches of the north-east to high-spending tourists and other direct benefits of normal conditions," he says.

Prof G.L. Pieris, constitutional affairs minister, insists the peace process "is holding". The former Colombo University vice-chancellor is working on a "federal solution" to the ethnic conflict. Considerable power can be devolved to the provincial councils, he says.

But power is not the only problem. Territory is equally vital in the Tigers' concept of "traditional homelands". It includes tha country's eastern province in the proposed Eelam, which would he an independent or autonomous region.



Kumaratunga (left) searching for peace with Prabhakaran

The Tamils are the largest community in the east bnt account for no more than 42 per cent of the population there. Moslems represent a third and the Sinhalese nearly all the remainder. The Tigers had expected the Moslems, who are Tamil-speaking, to join their cause. But Islam has proved to be a stronger force than language, and the eastern province has been referred to as Sri Lanka's potential future Bosnia.

Moslems support the Sri Lanka Moslem Congress of Mr A.H. Ashraff, the shipping minister. The SLMC is a member of the PA. Nonetheless, the worldwide Islamic revival has encouraged the SLMC and Mr Ashraff, a regular visitor to Iran, Libya and Pakistan, to assert their separate identity.

The eight-party PA is showing signs of internal discord under the strain of deciding bow to handle the negotiations with the Tigers. The army, once a modest ceremonial force has become a 100,000 strong institution that wields considerable political influence. It will seek to ensure that its interests are protected too.

Bhutto seeks to impress US with anti-terror drive

By Farhan Bokhari and Graham Bowley in Islamabad

Ms Benazir Bbutto, the Pakistani prime minister, yesterday sought to set the tone for ber visit to the US next month by calling for international help to stem a growing tide of lawlessness.

Her appeal was seen by officials as an effort to build bridges with the US administration after a period of strain. This came after Washington cut off its large military and economic aid package to the country four years ago when it suspected Pakistan of manufacturing nuclear weapons.

"Pakistan is in the vanguard of the movement to uncover militant groups that have been operating in different Moslem countries since the end of the Afghan war," said Ms Bhutto.

Her remarks followed her claims over the weekend that Ramzi Yousef, the man accused of masterminding the bombing of the world trade centre in New York, tried to assassinate ber before sbe became prime minister in 1993. Pakistani officials say the assassination attempt failed because Yousef was severely injured when the explosives he was carrying blew up just hours before his planned attack at Ms Bbutto's bome in Karachi.

Bhutto: death threat

Her government has vowed to crack down on the bundreds of Islamic *madrassahs* (religious schools) across Pakistan, amid official claims they have become centres for armed training for young men and teenagers.

The government is facing an uphill task because many are funded by foreign governments, especially Iran and Saudi Arabia.

Some officials are convinced religious leaders could use popular discontent to begin a fresh campaign against the government in retaliation for Ms Bbutto's crackdown on the *madrassahs*.

Pakistani officials are also worried over the economy's performance this year, especially high inflation. Ms Bhutto is expected to urge US congressional leaders and President Bill Clinton to restore the economic aid package, which would provide a mucb needed cushion for ber government.

Suharto warns of high yen danger for loan payments

By Manuela Saragosa in Jakarta

A Japanese bnsiness delegation in Jakarta said yesterday it had been warned by President Suharto that the rise in the yen was making it more difficult for the country to repay its substantial yen-denominated loans. Indonesia would need to increase its exports to and foreign investment from Japan to cover the costs, the country's leader told the businessmen.

Some 40 per cent of Indonesia's foreign debt is denominated in yen while a large proportion of tbe country's exports is denominated in US dollars.

Indonesian ministers are working to streamline export, import and foreign investment procedures, which businessmen say are bampered by bureaucratic red tape.

There is some urgency about the problem because growth in Indonesia's non-oil exports and the trade surplus both slipped last year. Non-oil exports in 1994 grew 12.15 per cent to $30.37bn while imports rose more sharply et 12.53 per cent to $31.88bn.

Mr Suharto assured Indonesians that the Indonesian government bad anticipated e strong yen in tbe budget and would be able to meet the challenge. Local newspapers quoted the president as saying the government's budget for the year which starts in April had included precautions such as increasing the proportioo of yen kept in the country's foreign exchange reserves.

Mr Mar'ie Muhammad, tbe country's finance minister, was also quoted as saying the government wants to lobby foreign aid donor agencies to denominate all their loans in US dollars. In the past two of the country's biggest multileteral donors, the World Bank and the Asian Development Bank, have extended loans partly denominated in yen.

The finance minister said the government was unlikely to reduce its borrowings from Japan because no other single country bad a lending capacity as large as Tokyo's.

Indonesia's foreign debt, whicb fell to $87.6bn in December last year from $93bn in September, ranks as one of the largest in tbe developing world. The figure is substantial largely because the Indonesian government does not borrow on tbe local market – there are no government bonds in Indonesia.

Some $58.6bn of the December foreign debt figure is owed by the government, $24bn by private borrowers and $5bn by state-owned companies. Over the past year, tbe government bas worked to reduce its foreign debt burden and has discouraged private businesses from borrowing abroad.

India's central bank boosts discount rate priority

By Peter Montagnon and R C Murthy in Bombay

The Reserve Bank of India plans to place increasing emphasis on its discount rate as an instrument of monetary policy now that reform of the banking sector is taking hold, its governor, Mr C. Rangarajan, said yesterday.

Previously, the discount rate, set et 12 per cent for some years, had little relevance, since much bank lending was directed to specific priority sectors at pre-determined rates of interest, he said.

The central bank was thus forced to impose large reserve requirements on the banks as a means of monetery control. But part of the reforms involve the reduction of reserve requirements to give banks more freedom over the deployment of their assets. "Now we are trying to evolve towards the use of the bank rate as a signalling mechanism," Mr Rangarajan said.

The Reserve Bank has been belped by the government's decision to finance its deficit by borrowing at market rates. This creates scope for the use of open money-merket operations to set monetary conditions.

"What we have been trying to do is to ensure that, in pursuit of monetary policy, we have greater freedom and manoeuvrability. So long as the government's deficit was being automatically monetised, our ebility to regulate the money supply was eroded. There is a distinct cbange in tbis respect," Mr Rangarajan said.

Bankers said they would welcome e greater profile for the discount rate. It could become a reference rate for pricing their loans. Under the financial sector reforms, banks have been given freedom to set their own rates on larger loans, though there is still a cap on deposit rates.

The use of a pricing mechanism coupled with open market operations to control money snpply would leave banks witb more flexibility tban the burdensome obligation to meet large reserve requirements, they said.

But Mr N. Vaghul, chairman of ICICI financial services says he supports the change in principle, but it may take time to take effect. "We have not succeeded in establishing a money market with sufficient depth and breadth," he said.

Mr Rangarajan said the pressure on money supply growth from foreign currency inflows had slowed, with less money pouring into the financial markets in the second half of the current fiscal year. This sbould make money supply more manageable, though inflows of foreign direct investment showed signs of increasing.

At 5.5 per cent of gross domestic product, the fiscal deficit planned for the next fiscal year was "reasonable," he said, though the size of the deficit mattered because it could force interest rates up if it was accompanied by strong demand for credit.

ASIA-PACIFIC NEWS DIGEST

Anger grows at maid's hanging

Singapore's government yesterday lodged a strong protest over the burning of its national flag in the Philippines following the hanging of a Philippine maid in Singapore last week. Philippine leftists announced plans for nationwide demonstrations and urged Filipinos to boycott Singaporean products to show outrage at the execution.

Singapore's Foreign Ministry summoned Ms Alice Ramos, the Philippine ambassador, to make clear its displeasure at Monday's flag burning in Davao City, 960km south of Manila, which was witnessed by Mr Rodrigo Duterte, mayor of Davao. "While the government of Singapore is aware that the Mayor of Davao City did not himself set fire to the flag, it is shocked and outraged that be allowed the flag burning to proceed," the statement said.

The tension between the two members of the Association of South-East Asian Netions followed the execution in Singapore last Friday of Flor Contemplacion, convicted of two 1991 murders. Countless Filipinos remain convinced she was innocent. The governor of Bulacan Province, which borders Manila to the north, yesterday ordered banners erected at the provincial capital telling Singaporeans they were unwelcome. Airline industry officials say many Manila travel agents are refusing to handle bookings for Singapore Airlines.

Philippine President Fidel Ramos urged a return to "sanity and sobriety" over the incident and accused opposition politicians of exploiting the case in advance of national elections on May 8. *AP, Manila and AFP, Singapore*

Malaysia toxic dumping probe

Malaysian police launcbed an inquiry yesterday into tha beachside dumping of 41 drums of highly toxic potassium cyanide that experts said had enough lethal power to kill 7m people. Authorities ordered an immediate freeze on the sale of fish in the northern island of Pangkor after thousands of fish reared at a nearby farm were found dead from possible contamination.

"A full-scale investigation is under way into the dumping. We are awaiting a report from the Department of the Environment to decide on the next course of action," said a spokesman for Mr Law Hieng Ding, environment minister. Describing the dumping as a "serious crime", Mr Law late on Monday announced the discovery of the 50kg drums. The rusting, dented containers were found near three fish farms on the north-east coast of Pangkor. Police detained a 31-year-old man who was believed to have obtained a M$18,000 (US$6,920) contract to dispose of the toxic substance, which was brought in from e factory in the northern industrial belt of Butterworth Town. *AFP, Kuala Lumpur*

Another Fiji minister quits

A second senior minister resigned from the Fiji cabinet yesterday amid an apparently growing crisis in the government of Mr Sitiveni Rabuka, prime minister. Mr Militoni Leweniqila quit as labour minister without any public explanation while Mr Rabuka was grappling with the resignation on Monday of Mr Harold Powell, tourism and civil aviation minister.

Political observers believe Mr Leweniqila's sudden decision to quit may be linked to a government decision to re-introduce a counter-inflation wage order imposing statutory controls on civil service pay increases.

The cabinet had shelved the move in January following a submission from Mr Leweniqila but without the concurrence of Mr Berenado Vunibobo, finance minister, who is understood again to have persuaded the prime minister to go ahead with the wage order. *AFP, Suva*

MasterCard for Vietnam

Communist Vietnam took another step on the road to modern banking when an international card company said that four Vietnamese banks would issue the country's first credit cards. MasterCard International said it bad licensed three banks as members of its network and one as an affiliate and they would start issuing cards in Vietnam shortly. "I'd be surprised if three years from now there are not 30,000 cards in this country," said Mr Donald Van Stone, its general manager for south-east Asia.

About 400 businesses, mostly in the travel and tourism industry, accept MasterCard at present and that number would quickly grow to 1,000, Mr Van Stone added. Competitors such as Visa also have outlets in Vietnam which accept their cards or issue cash against card payment, but they are used by visitors with cards issued elsewhere. MasterCards will be the first cards issued locally. "It's a step in the right direction," said a western bank manager in Hanoi. But "a modern banking system depends on other operations such as automatic teller machines and a clearing system". *Reuter, Hanoi*

Kashmir blast kills 10

An Indian brigadier and nine soldiers have died in a landmine blast staged by suspected Moslem rebels in one of the worst ettacks on troops in Kashmir, the Press Trust of India said yesterday. Brigadier Venugopal Sridharan, 49, and his troops were killed in the frontier town of Uri, near the Pakistani border, late on Monday when their vehicle hit the remote-controlled mine, an army spokesman said in Srinagar, Kashmir. No militant group has claimed responsibility for the attack, whicb also claimed the lives of two civilians. Brig Sridharan is the second senior army officer to have been killed since 1990 when Moslem militants stepped up their secessionist drive in the divided state of Kashmir, India's only Moslem-majority province. *AFP, New Delhi*

Chinese move food mountains

The Chinese Business Times yesterday described China's statistics for consumption of foodstuffs and utilisation of services as "mind-boggling". Each day, 1.2bn Chinese consume 60m kg of pork, 10m kg of edible oil and 750m kg of grain. They buy 60,000 television sets and 120,000 watches. They receive 15m letters, 50m newspapers and 6m magazines. Nearly 60,000 babies are born eacb day, adding 16m to the population annually. *Shi Junbao, Beijing*

■ Mr Sheu Yuan-dong, Taiwan's newly appointed central bank governor, yesterday ruled out any immediate change in current monetary policy or the need to raise interest rates in the short term but said the island needed to reform its tax system to attract foreign investors. *Reuter, Taipei*

■ Hong Kong's inflation rate eased to 8.9 per cent in February, against January's 10.1 per cent, the Statistics Department said. *AFP, Hong Kong*

■ Singapore's February non-oil domestic exports grew 31.1 per cent in nominal terms from e year ago. But economists pointed out seasonal distortions caused by the Chinese New Year. *Reuter, Singapore*

US fights to keep Unicef top job

By Michael Littlejohns at the United Nations, New York

The US and European countries have clashed over the appointment of an executive director for the United Nation's Children's Fund.

The voluntarily-financed agency which spends more than $1bn a year on aid for women and children, mainly in the Third World, has been headed by an American since its inception in 1946.

The Clinton administration wants to retain the high-profile post for its own nominee.

But Dr Richard Jolly, the Briton who has been acting director since his chief Mr James Grant died of cancer in January, said last night many members believed it was time for a nationality change.

Britain supports Dr Jolly's candidacy, while Belgium has proposed Ms Anne-Marie Lizin, a Belgian politician. The other EU members are lining up behind Ms Elisabeth Rehn, who lost her bid for the presidency of Finland last year.

Mr Boutros Boutros Ghali, the UN secretary general who must make the appointment in consultation with Unicef's executive board – now in session – is known to favour a woman for the post. This is why the US is expected to withdraw its nomination of Dr William Foege, a public health specialist who was one of the scientific team that eradicated smallpox.

A former New York Democratic politician, Ms Carol Bellamy, now director of the Peace Corps, and Ms Catherine Bertini, director of the UN's World Food Programme, are both mentioned as potential US substitutes.

While the US is the largest single donor to Unicef, accounting for about 15 per cent of funding, Dr Jolly said European countries provided more than two-thirds of Unicef's income.

Once the UN's most admired agency, Unicef has lately been tarnished by corruption in its Nairobi office and auditors' reports of sloppy management.

Algeria's troubles come in bunches

Excessive banana imports plague a civil strife-torn economy, writes **Roula Khalaf**

Ask an Algerian what is wrong with his country's economy and chances are he will mention bananas. There are mountains of them around. They hang from stands in food markets and from the windows of grocery stores. They come from all corners of the earth, including Colombia and the Ivory Coast. They all look the same but range in price from 150 dinars (£2.17 at the official exchange rate) to 300 dinars.

What puzzles many Algerians is that in a country rocked by violence, struggling both economically and politically, and unable to pay its debts, International Monetary Fund-sponsored liberalisation measures are allowing the limited amount of foreign currency available to be used to import bananas. And all this in a country that grows its own.

Officials say they have no idea how many bananas are imported or what the local production is, but bananas have become a symbol of Algeria's historically twisted trade, which is at the heart of the country's economic ills.

Average monthly income is about 8,000 dinars and 50 per cent of Algeria's young are unemployed – but the popular markets in the capital are a culinary paradise boasting expensive imported kiwi fruit, anchovies, canned mushrooms and even capers.

The explanation begins with the 1970s, when Algeria's oil wealth was sunk into an ill-fated industrialisation policy to the detriment of the agricultural sector. The result was a period of austerity that left Algerians bitter and deprived of many food items and household goods.

In the early 1980s, Mr Chadli Benjedid, the then president, promised a better life and directed the country's oil earnings as well as borrowings towards imports.

Algeria's corrupt state importers and black market speculators then set about importing what they could buy cheaply and sell expensively. Such as bananas.

The serious consequences are evident in Algeria's balance of payments account. The $8.6bn of foreign currency receipts derived from the hydrocarbon sector last year, for example, failed to cover the $9.1bn of merchandise imports, 30 per cent of which are food items. The debt servicing bill of $7bn, meanwhile, was paid through debt reschedulings and new borrowings.

The government, under the guidance of the IMF, last year liberalised imports in the hope that opening up the market to private sector competition would drive some importers to invest their funds in more productive ventures.

At the same time other economic reforms are designed to encourage state companies, which make up 65 per cent of production but are operating at just 50 per cent capacity, to increase local production with easier access to imports of equipment and raw materials. It is hoped that this, in turn, would boost exports and reduce the country's reliance on food imports.

However, liberalisation measures take time to translate into results. For now, competition and access to the government's foreign currency are driving yet more speculators to import bananas.

"I think there is something wrong with borrowing money so we can eat bananas," says a former official. "But then there are fortunes that are made in the banana business."

Part of the problem lies in the quick pace of the IMF reforms. In a single year, Algeria has lifted price controls, reduced tariffs and allowed private sector imports of practically all items.

On the other hand, liberalisation has done wonders in the case of sugar, for example. Sugar was sold at below world prices and imports exceeded local demand, allowing Algerians to resell it in Morocco. With the price liberalised, the incentive for resale disappeared and imports fell.

Mr Ali Hamdi, a member of the council of ministers, believes liberalisation will eventually regulate the market. "We can't ask for one thing and its opposite as well," he says. "Prices of bananas will go down eventually as competition increases and people start investing the foreign currency in something else."

Mr Ahmed Benbitour, Algeria's minister of finance, says opening up the market and breaking the monopolies is the first step towards reform. "We need to put in new systems. It takes a while for this to translate into higher production and higher capacity."

Frenkel claims victory on monetary policy front

Israel's bank governor defends interest rate cut

By Julian Ozanne in Jerusalem

Mr Jacob Frenkel, governor of the Bank of Israel, yesterday hit back at critics who said this week's 1.5 per cent cut in interest rates would undermine the central bank's 16-month long battle against inflation.

He warned that the battle against high inflation was far from over, and said the bank was determined to resist pressure from the government and business for further cuts.

"All the analysts and all the statistics of monetary aggregates and credit suggest we have been overly cautious," he said in an interview. "The message is that the anti-inflation fight will continue in a vigorous way and we will not get over-excited with the fact that inflation in the first two months of this year has registered less than 0.2 per cent a month."

Throughout 1994 the central bank resisted pressure from the Treasury, cabinet and business community to cut interest rates. The bank said any cuts would have to be linked to concrete evidence of falling inflation – which last year reached 14.5 per cent – and government efforts to cut its budget. This year's inflation target is set at between 8 per cent and 11 per cent.

On Sunday, the cabinet finally caved in to the central bank and approved a Treasury proposal to reduce the annual budget and tax base by Shk1.2bn (£255m) each. The central bank immediately announced a reduction in interest rates charged to commercial banks from 16.3 to 14.8 per cent.

Mr Frenkel said the government package had allowed the central bank to make a greater cut in nominal interest rates than he had planned. "We were able to make this cut because we saw the government is now supporting restrictive monetary policy by budget cuts," he said.

"This also points to a very positive long term strategy of reducing government expenditure as a proportion of GDP, cutting the fraction of income which government takes in taxes and heading towards a situation which recognises that money left in the hands of consumers, producers and entrepreneurs is put to better use than if it goes to the government."

Mr Frenkel said the government package marked a turning point in the fierce debate in Israel over monetary policy with a recognition that tight monetary policy had been vindicated. He said much of the criticism directed against the central bank had been based on a failure by businessmen and politicians to understand the lag time involved in tight monetary policy and a real reduction of inflation.

Frenkel: 'Analysts say we've been overly cautious'

"Yielding to short-sighted pressures by either interest groups or politicians is a recipe for accelerating inflation and we are going to continue to resist any pressure and maintain the independence of the central bank," Mr Frenkel said. "But I believe there is a much better understanding of the necessity of tight monetary policy and on a strategic policy level that is a victory."

INTERNATIONAL NEWS DIGEST

Kuwaiti MPs back oil strike

Six Kuwaiti opposition members of parliament said they backed an oil production and export workers' strike that entered its fourth day yesterday. Five of the six attended a meeting by 500 strikers at Kuwait Oil Company Labour Union offices on Monday evening in the KOC township of Ahmadi, south of Kuwait City. The five, a mixture of independents and Islamists, made general expressions of support and said the strikers had justified grievances. The sixth, a liberal, sent a fax to the meeting expressing support. Three of the men are members of parliament's finance and economic affairs committee. The union called out hundreds of members on strike on Saturday to try to halt production and exports to back demands that promotion be made easier for oilmen with long service. KOC says the strike is illegal and has failed to stop output. Many members of the 50-seat parliament want more oil sector jobs to be given to Kuwaitis. Kuwaitis hold about 68 per cent of all oil industry jobs, with the remainder held by mainly Asian expatriates generally paid at cheaper rates. *Reuter, Ahmadi*

Nigeria founds petroleum fund

Nigeria's military regime yesterday inaugurated the board of the Petroleum Trust Fund, set up by decree last November. It is to be headed by former military head of state Muhammudu Buhari who will report directly to Gen Sani Abacha, the head of state. The fund, which has been criticised by western donors and Nigerian economists as superfluous and unaccountable, has annual revenue of N61bn (£520m), which is 17 per cent of the total government budget to be spent on "social infrastructure projects". The revenue comes from the sharp increase in the official prices of fuel last October.The fuel price rise was justified by the need for more investment in Nigeria's state-run oil refineries and distribution system which have been near to collapse several times in the past year. But the fund will channel the revenue toward social and infrastructure projects in such sectors as roads, railways, education, and health. Critics point out that the fund is likely to be a barrier to agreement between Nigeria and the IMF. *Paul Adams, Lagos*

US offers Jordan debt write-off

Mr Al Gore, US vice-president, yesterday promised Jordan that Washington would write off all Jordanian debt to the US government this year despite some domestic opposition. "Jordan has taken great risks for peace and the United States will demonstrate by its actions that we are by Jordan's side, now and in the future," Mr Gore said in a speech soon after arriving in Amman. "We are committed to full debt forgiveness in 1995 and we will meet our commitment." Mr Gore's overnight visit set the stage for a meeting between King Hussein and President Bill Clinton in Washington next week. *Reuter, Amman*

35 die in Tajik border clash

Russian border guards yesterday killed 35 armed men trying to cross into Tajikistan from Afghanistan, Russian officials said yesterday. The incident is likely to jeopardise efforts by the Tajik government, which is backed by the Russian military, and the exiled opposition, which has been harrying the government from bases in Afghanistan, to extend a 1994 ceasefire. Border clashes are expected to intensify as the spring thaw gives the opposition forces more mobility in Tajikistan's mountainous border region. *Chrystia Freeland, Moscow.*

NEWS: UK

● Slowdown in export growth to US and outside Europe ● Price rise reflects strength of D-Mark and yen

Import price rise prompts fears over interest rates

By Gillian Tett, Economics Staff

UK companies are facing sharp rises in the cost of many imported products, exacerbating fears in the City of London that interest rates may rise further in the months ahead.

The increase in import prices, combined with a slowdown in export growth outside Europe after a surge last year, has reversed some of the recent improvement in the UK trade deficit.

The Central Statistical Office said yesterday that the UK trade deficit with countries outside the European Union, which account for about half of UK trade, was a seasonally adjusted £343m ($541.94m) in February – roughly the same level as in January.

This was considerably better than December's deficit, which had been affected by unusually high levels of imported artworks. However, it was worse than the deficits recorded last autumn, partly because of higher import prices.

Import prices, excluding oil and erratics, rose 5.3 per cent in the three months to February, compared with the previous three months, and were 8.4 per cent higher than the same period of a year before. Consequently the value of imports rose by 5 per cent between December and February, despite relatively unchanging volume levels.

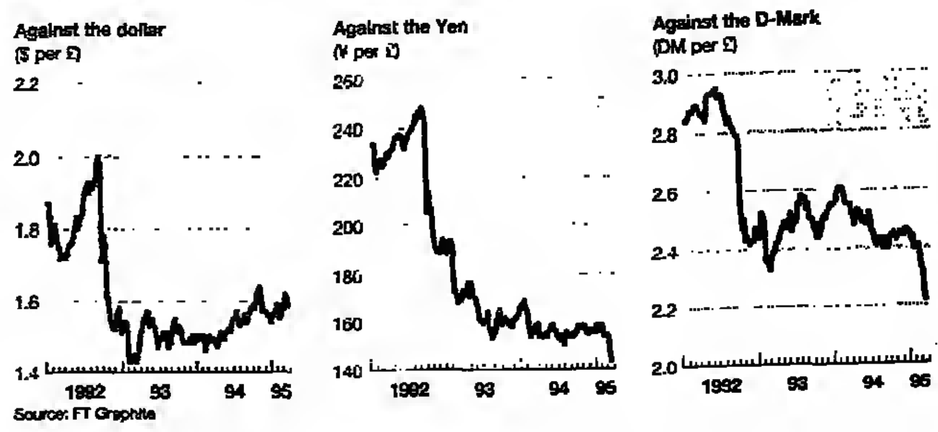
Although the price rise started in December, the sharpest growth has occurred since the start of the year, affecting almost all categories of goods. This suggests that it partly reflects the recent strength of the D-Mark and yen, which have risen by 10 per cent and 8 per cent respectively against sterling since the start of the year.

The figures also suggest that the pattern of UK export growth may be changing. Although strong overseas sales of oil and diamonds left overall exports at record levels in February, remaining exports fell by 2 per cent, in volume terms, between December and February.

Some of this fall may reflect a slower pace of growth in the US economy. Exports to the US grew only 1.5 per cent between December and February. Exports to the buoyant economies of south-east Asia fell by 6 per cent during the period.

However, most economists expect this fall to be partly offset by higher European exports in the months ahead, with demand in Europe now rising.

Sterling



Source: FT Graphite

MPs gasp at news of executive's 'little' jobs

Financial Times Reporters

The £293,750-a-year chief executive of electricity generator PowerGen yesterday surprised MPs investigating pay for senior executives when he told them he had three other "little" jobs paying him £36,000-a-year ($57,000).

Mr Ed Wallis drew gasps of disbelief from some MPs on the House of Commons employment committee when he pointed out that he did the extra jobs in his "own time". He earns £17,000-a-year from the British Standards Institute, £10,000 from Mercury Asset Management and £9,000 from the German electricity generator RVE. "It is useful experience for me," he said. "It is all done in my own time."

Mr Wallace, 55, received PowerGen pension cost payments of £53,000 last year. He told MPs he also has share options worth £332,000.

Ms Angela Eagle, Labour MP for Wallasey, pointed out after the committee hearing that Mr Wallis earned more from his "little" jobs than an MP's annual salary of £33,000. "They condemn themselves out of their own mouths," she said.

The MPs were told during the committee hearing that up to a quarter of the workforce of PowerGen could lose their jobs in a new voluntary redundancy scheme. Sir Colin Southgate, chairman of PowerGen, said that "as many as one thousand" and "a minimum of 700 to 800" jobs would be cut.

The select committee was also told that PowerGen is to give shareholders full details of directors' remuneration in its next annual report and accounts. Sir Colin said that fuller disclosure was the one major reform which should be introduced to help calm public concerns over bosses' pay.

Full details were released to committee members yesterday including comprehensive share options details.

Candidates line up for post at Bank of England

By Robert Chote

It is traditional that one of the top two jobs at the Bank of England should be occupied by an insider and the other by an outsider. But Mr Rupert Pennant-Rea's ignominious departure yesterday may lead to a break with precedent.

Observers inside and outside the Bank said it might prove difficult to find an external successor to Mr Pennant-Rea who would be of sufficient quality, but who would be content to play second fiddle to Mr Eddie George, the governor.

The leading internal candidates are thought to be the four executive directors of the Bank who occupy the positions immediately below the deputy governorship in its hierarchy.

Perhaps the most highly fancied is Mr Pen Kent, who is responsible for areas including financial markets, institutions and business finance. Colleagues say he has won a reputation as a troubleshooter, for example in the attempt to come up with an electronic share settlement system for the stock market. Mr Kent has experience in the Bank's operations and has also proved adept at complex company rescues.

His main rival may prove to be Mr Ian Plenderleith, who is responsible for the Bank's operations in tha foreign exchange and gilts markets.

His supporters argue that he is closer to the governor than Mr Kent. His detractors say his experience has been limited.

Mr Mervyn King, the Bank's chief economist, is said to have seen himself as a candidate for the deputy governorship when the job last came up. But Bank insiders say that his key role in compiling the quarterly inflation report means that he would be difficult to replace if promoted.

The final executive director is Mr Brian Quinn, who is responsible for banking supervision. He is thought an outside bet because he is nearing retirement and because, as one former Bank official put it, he has been in charge of banking supervision "not during one of its most glorious periods".

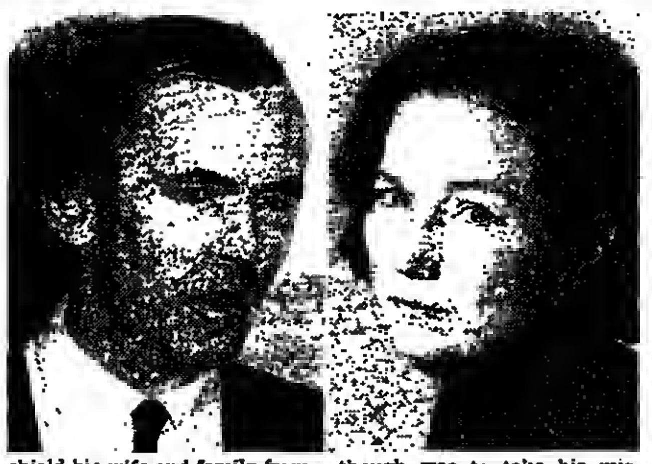
A nation fascinated and frightened by sex

Only the British can combine prurience and puritanism so deftly. I do not know how well Mr Rupert Pennant-Rea did his job as deputy governor of the Bank of England.

His appointment two years ago ruffled feathers among proud insiders at this august institution. His responsibility for the Bank's internal reorganisation did not win him many friends. On the other hand, Mr Eddie George, the present governor, does not have a reputation as the easiest man to work with. And before this weekend's disclosures about his private life, no one suggested that Mr Pennant-Rea was incapable or incompetent.

So his resignation can be blamed on nothing else but the publicity surrounding his extramarital affair with a American journalist, Ms Mary Ellen Synon. This affair, lasting three years and ending a year ago, disqualifies him apparently from deciding how best the bank should deploy its resources or how better it might supervise the City's financial institutions.

Why? Apparently the consensus is that he did the right thing. There was one respectable reason for his departure. It was probably the only way that Mr Pennant-Rea could



shield his wife and family from the relentless pursuit of the press.

As for the rest, the explanations are breathtaking in their hypocrisy, infused by an attitude to sex which belongs to adolescent awakening behind the playground bike-shed. Mr Pennant-Rea, on this analysis, had made the Bank a laughing stock. Now that the world knew the details of his torrid affair, it would be impossible for others to take him seriously at those important meetings about the future of Barings or the level of interest rates.

His most heinous crime though was to take his mistress through the portals of the Bank. More than that, on one occasion they made love on the floor of the governor's dressing room. Mr Pennant-Rea wrote explicit letters, describing the sort of sexual fantasies which respectable people must never own up to. It is perfectly correct for the rest of us to snigger behind our hands as we pore over the intimate details in our newspapers. But how could such a man any longer be trusted with important matters of finance?

Another charge laid against Mr Pennant-Rea is that he treated his mistress badly. Ms

> American-born Ms Synon yesterday told Irish radio listeners that she and Mr Pennant-Rea had been "head over heels in love".
>
> She added of the end of the affair: "If you are going to dump, don't dump a financial journalist if you are the deputy governor of the Bank of England, that's dumb."
>
> She claimed Mr Pennant-Rea had "turned vicious and extremely nasty" when they broke up. "And nothing could be angrier than an Irish-American financial journalist who has been badly treated by the deputy governor."

Synon certainly thinks so. But the rest of us have no way of judging how well or badly Mr Pennant-Rea behaved; or of concluding that his personal behaviour disqualified him from his job.

As for suggestions that the affair involved misuse of a chauffeur-driven car or breaches in Bank security, these are simply guff. The charges are made only to give newspapers a public interest defence if they are held to account for their intrusions.

No it was the sex, and in particular, the offbeat sex, that did for Mr Pennant-Rea. It would have been perfectly all right, one senior representative of a tabloid newspaper assured me yesterday, if the love-making sessions had been confined to a smart Mayfair hotel. But sex in someone else's office was, well, tacky. At once repressed and salacious, the British have strong views on the proper conduct of extra-marital affairs.

It is tempting to blame Mr Pennant-Rea's departure on the ill-fated Back to Basics campaign launched, and just as quickly dropped, by Mr John Major's government two years ago. After all, extramarital sex never used to be a disqualification for high office. It is true that Mr Major's ill-judged attempt to enrol his administration in the moral majority has claimed a string of ministerial victims. The latest casualty was Mr Robert Hughes, the public service minister, who resigned just a few weeks ago after admitting adultery. The deeper truth, however, is that Back to Basics simply gave tha media an opportunity to tap a flaw in our national psyche. The British are fascinated by sex. They cannot read or hear enough about it. But most are also frightened by it. So they exact revenge on those who are not.

Philip Stephens

CONTRACTS & TENDERS

Orimulsion group aims at vast sales growth

By Michael Smith

The sole European distributor of Orimulsion, the controversial fuel, yesterday announced plans for a sevenfold increase in sales by the end of the century with most of the growth expected in the UK.

The company is Bitor Europe, an offshoot of Bitumenes Orinoco, tbe Venezuelan oil company which developed Orimulsion and which is itself a subsidiary of Petroleos De Venezuela, a state-owned company. The European company's ambitions will alarm companies and environmentalists concerned about its ability to displace UK coal and its alleged effects on the environment and health. Environmental campaigners bave described orimulsion as "the world's filthiest fuel".

Opponents include Prudential, Britain's largest life assurer, which is suing PowerGen, the former state-owned generator of electricity. Prudential claims that PowerGen's burning of Orimnlsion at Richborongh power station on the Kent coast to the south-east of London is damaging crops on one of its farms. PowerGen denies the allegation.

Bitor Europe said yesterday it was on target to expand sales from 1.4m tonnes in Europe last year to 10m tonnes by the year 2000. Orimulsion is a natural bitumen based in water. Sales next year are expected to be double the 1994 total.

Bitor's most significant opportunity lies with National Power which is seeking consent to modify the 2000MW oil-fired power station at Pembroke in south Wales to burn between 4m and 5m tonnes of Orimulsion a year from about 1998.

National Power plans to spend "several bundred million pounds" on fitting flne gas desulphurisation to allow it to generate electricity at Pembroke. The equipment would remove 94 per cent of sulphur dioxide emissions from the combustion gases.

Concerns remain about the health effects of Orimulsion plants' emissions. Some protestors including Dr Dick van Steenis, a retired doctor, say it could increase the incidence of asthma. Pembrokesbire Healtb Authority is investigating the allegations, which Bitor denies.

Bitor Europe said an independent assessment of the environmental impact of burning Orimulsion at Richborough, carried out last year for Kent County Council, concluded there were no significant environmental problems. Bitor said that, compared with coal, combustion of Orimulsion emits up to 50 per cent less nitrogen oxide which can contribute to acid rain; less dust, by a factor of four; 50 times less ash; and 20 per cent less carbon dioxide.

Even without flue gas desulpburisation, sulphur dioxide emissions are similar to those from higher-sulphur coals used in the UK, according to the company. Bitor was given a boost early this year when SK Power, the Danish utility, decided to burn Orimulsion at the 700 MW unit 5 at Asnaes power station on the island of Zealand. It will burn at least 1.1m tonnes this year.

Companies face prosecution over deaths at port

By Charles Batchelor, Transport Correspondent

Lloyd's Register, tbe 235-year-old organisation which vets the quality of mucb of the world's shipping, faces its first criminal prosecution over alleged breaches of health and safety law following the collapse of a passenger walkway in the port of Ramsgate in south-east England last September.

Lloyd's – which is not linked to the Lloyd's insurance market – is one of four companies being prosecuted by the Health & Safety Executive over the incident. Six passengers attempting to board a ferry died and several more were seriously injured. Lloyd's assessed the walkway's design and supervised its installation.

The other companies facing charges are Port Ramsgate, the operator of the walkway, and two Swedish companies, Fartygsentreprenader (FEAB) and Fartygskonstruktioner (FKAB) which were responsible for its design, construction and installation.

Tbe decision to prosecute Lloyds highlights the role of the classification societies which oversee and approve the design and construction of ships. They have been accused of attempting to dnck their responsibilities when accidents occur but have responded that they are not to blame if mishaps arise from poor operating procedures.

Tbe HSE said that its charges alleged that the companies had "failed to conduct their undertakings in such a way as to ensure, so far as was reasonably practicable, tbe safety of passengers using the walkway." Lloyd's responded that it was: "very surprised at this development." It believed it "had fulfilled its obligations with all due care and competence".

"Lloyd's has never before been criminally prosecuted for any alleged negligence in any country worldwide in any area of its activity," it added.

One reason for the novelty of this action against Lloyd's is the fact that the HSE is not responsible for maritime safety where the company does most of its work. But the walkway is a shore structure.

One of the most widely promoted ship launches of the last 30 years risks turning into a pnblicity disaster, Jimmy Burns writes. Peninsular and Oriental Steam Navigation (P&O), the British shipping and property group, last night reluctantly confirmed that the arrival in Southampton of its new luxury liner, the Oriana, had been delayed by a week, forcing the postponement of a series of celebrations.

P&O was told on Monday by the Meyer Werft shipyard in Germany, wbere the Oriana was built, that the ship would be unable to sail on schedule. The testing of electronic systems had not been completed and some damaged bigb-tech propellers needed further repair and modification.

Mr Gwyn Hughes, managing director of P&O Cruises said: "This is causing us some domestic headaches but nothing more significant than that."

UK NEWS DIGEST

BT accused of unfair competition

British Telecommunications, the dominant UK telecoms operator, has been accused of damaging competitors by selling fixed-line telephone equipment – handsets and fax machines – to domestic customers and small businesses at less than cost price.

The suggestion came from four UK rivals – Audioline, one of the larger suppliers of fixed and cordless telephones in the UK, Amstrad, the consumer electronics company which makes telephones and facsimile machines, and two smaller equipment manufacturers, Geemarc and Betacom. The suggestion is that BT is cross-subsidising its telephone equipment business from its profitable services operations – a practice forbidden under the terms of its licence.

Mr Don Cruickshank, director-general of Oftel, tbe telecoms regulator, yesterday announced a three-month investigation into BT's allegedly anti-competitive behaviour. Other complaints being studied by Oftel are that BT refuses to stock non-BT branded equipment in its shops and will not rent out non-BT branded equipment. If the allegations are proved, Mr Cruickshank could take actions ranging from ordering BT to change its practices to referring it to the Monopolies and Mergers Commission.

Alan Cane, Industrial Staff

Managers urged to spot stress symptoms

A leading organisational psychologist said yesterday that managers should be more aware of the symptoms City dealers display under pressure "before they burn out or make a big mistake."

Prof Cary Cooper of the University of Manchester's Institute of Science and Technology, and co-author of the book Stress in the Dealing Room, said such symptoms could include a lack of concentration, a loss of sense of

bumour, withdrawal and unusual dealing behaviour. "The pressures of those jobs are enormous – there are a lot of people who could use some support."

He said the technological changes which had made 24-hour trading possible, and the "information overload" confronting traders, meant that the pressures on many dealers were "just too great". The London International Financial Futures and Options Exchange this week said it was considering introducing a welfare programme for its staff and members to address the health hazards arising from their work environment.

Conner Middelmann

Courtaulds to set up works council

Courtaulds Textiles, the UK clothing group, has decided to establish a consultative works council for all its 20,000 employees in the European Union. Negotiations are expected to begin shortly between the company and trade unions in the UK, France, Germany and Spain on the details of the new consultative body.

Mr John Billing, management services director, said yesterday he was ready to enter into talks with the textile, leather and clothing committee of the European Trade Union Confederation over the creation of the proposed works council.

The Courtaulds' decision reflects an increasing move towards creating consultative and information committees by European transnational corporstions as a result of tbe new European Union directive.

Although the UK government secured an opt-out from the provisions of the EU social chapter under the 1991 Maastricht treaty that covers the new directive, it appears many UK companies believe they should establish the new bodies for all employees across the EU.

Under the EU legislation, companies bave until September 1996 to create their own works councils. After that date they would have to introduce ones based on a model laid down in the directive.

Robert Taylor, Employment Editor

Computer glitch affects lottery cards

THE NATIONAL LOTTERY

Camelot, Britain's National Lottery operator, yesterday suffered its first embarrassing glitch when a computer software fault forced it to withdraw millions of scratch cards bours after their launch. The £1 ($1.58) scratcb cards with prizes ranging from £1 to £50,000 have to be swiped through a validation machine before they are sold to the public to prevent theft. As more and more cards were sold, the validation system, which bad worked perfectly in trials, began operating so slowly that it was impractical to continue selling the cards. Software engineers are now trying to locate the fault and see what changes are necessary. The validation machines are supplied by GTEC, the US lottery equipment manufacturer, which is also a member of the Camelot consortium. *Raymond Snoddy*

Truck crime grows

Some 70 per cent of the UK's 85,000 haulage companies are victims of truck crime, which costs a total of about £1.6bn a year, says a survey published yesterday by the Road Haulage Association and the Royal Automobile Club. The survey found there were four times as many truck crimes in the UK as previously thought, with nearly half of all hauliers claiming to have been hit by an average of five truck crimes in the last year alone. *PA News*

Shopworkers under attack: Violence against shopworkers is continuing at "appalling levels" despite growing precautions by store owners, said the Health and Safety Executive. Workers at liquor stores, garages and newsagents were among the most vulnerable to attack, it added.

"Green" demonstrators held: Four people were arrested after chaining themselves to the doors of a government department in protest at oil exploration at an important marine wildlife site in south Wales. Police used bolt cutters to remove the four from the Department of Trade and Industry in London. The protesters were trying to block what they called a "sordid auction" in oil and gas licensing for development of the Welsh sea bed.

Court told of obsession: A man accused of murdering his girlfriend after she ended their relationship was obsessed by film star Arnold Schwarzenegger and was nicknamed "Arnie" by work colleagues, a court in Norwich in eastern England was told. Postman Shaun Thrower, 22, was fascinated by guns and collected Schwarzenegger videos, the court heard. Mr Thrower denies murdering Amanda Wagg, 17, but pleads guilty to manslaughter on the grounds of diminished responsibility. Consultant psychiatrist Dr Henry Kennedy said Mr Thrower's obsession with Schwarzenegger was "significant" to the case.

Top Conservatives are told to watch for pitfalls

PM seeks to avoid gaffes

By James Blitz at Westminster

Mr John Major, the prime minister, yesterday moved to staunch the flow of gaffes and blunders committed by members of his cabinet by setting up a new committee that will co-ordinate the presentation of government policy.

As ministers continue to make conflicting comments on themes sucb as economic recovery and European integration, the prime minister announced the creation of a "ministerial committee on the co-ordination and presentation of government policy".

The group is to be chaired by Mr David Hunt, the minister for public service, who already chairs many cabinet committees on specific policy areas.

The other members will be Mr Tony Newton, leader of the House of Commons, Lord Cranborne, leader of the House of Lords, and Mr Jeremy Hanley, the Conservative party chairman. It is understood that some Downing Street officials – including Mr Christopher Meyer, the prime minster's press secretary – may also be invited to participate.

Downing Street yesterday described the committee's role in the driest of terms, saying it would examine "longer-term issues of government policy," "set priorities for the government," "co-ordinate policy" and ensure that "things lock together."

A more blunt description of its role might be to prevent ministers slipping on any more political banana skins.

In recent weeks, the government has stumbled over more than a few. Mr Hanley ran into trouble last week by claiming that Labour councils were "corrupt." Mr Kenneth Clarke, tbe chancellor, produced a series of gaffes, including a statement that the "feel-good factor" might not make itself felt before the next election.

● Mr John Major's working majority in the House of Commons has been reduced further by the death of Mr James Kilfedder, the only MP in Northern Ireland's Popular Unionist party and a staunch supporter of the Conservative government. Sir James, who was 66, first entered parliament in 1964.

Sir James died of a suspected heart attack on a train between London and Gatwick airport.

State of parties in the House of Commons

Conservative	320
Conservative rebels	9
Labour	270
Liberal Democrat	23
Welsh Nationalist	4
Scottish Nationalist	3
Northern Ireland MPs:	
Ulster Unionist	9
Social Democratic and Labour	4
Democratic Unionist	3
Speaker and deputies (non-voting)	4
Seats vacant because of MPs' deaths	2
TOTAL	651

BUSINESS AND THE ENVIRONMENT

David Lascelles was one of a team attempting to assess the risk rating of electricity generator Scottish Nuclear

Balance of power

It was a stormy morning in December when ten people stepped out of a coach at Hunterston nuclear power station, south of Glasgow. They had arrived to conduct an experiment: an environmental risk rating of the station'a owner, Scottish Nuclear.

The company, which is state-owned and generates half of Scotland's electricity, had offered itself as a guinea pig to see if an environmental risk rating – much discussed in financial circles, but little tested – was a practical way of measuring a company's environmental condition. The experiment had been put together by the Centre for the Study of Financial Innovation, an independent London-based think tank which specialises in new ideas in the finance business.

The team, of which I was a member, included experts in nuclear technology, risk assessment, enviromental auditing and financial analysis. For several months we had been researching the background to the company, and this was the opportunity to see the plant for ourselves and interview management.

Our task was not to measure how "green" Scottish Nuclear was but to assess its capacity to manage its liabilities and generate sufficient cash to keep them properly funded. Our report would be for the City rather than Greenpeace. We knew that Scottish Nuclear had large environmental costs: thousands of tonnes of radioactive waste and three nuclear power stations which would have to be decommissioned and cleaned up. The question was: did these liabilities pose any risk to future lenders or investors in the company?

It was an ambitious project, also potentially sensitive politically because the government was in the process of reviewing nuclear policy to see whether Scottish Nuclear and its English sister, Nuclear Electric, should be privatised. The issue of financial risk was therefore paramount.

We had begun our analysis by looking at the obvious sources of risk: pollution, toxic substances, safety procedures, and the quality of physical plant and control systems. Although the risk potential was enormously high, tha technical specialists in the group concluded that Scottish Nuclear's equipment and cootrols were of a high standard and that the likelihood of accident was low.

We also examined the company's record on nuclear emissions and incidents. These showed that its safety record was also good, measured on the internationally accepted scale for nuclear incidents.

We then moved on to the more difficult issues of waste disposal and plant decommissioning. Although these are also technical matters to do with bow radioactive material is handled and sites rendered safe, the essential issue for us was a financial one. Did Scottish Nuclear have the resources to meet its liabilities in these areas?

To answer this question we had to form judgments about the strength of the business and its prospects. We also had to be sure that the estimates that Scottish Nuclear had made of the cost of waste disposal and decommissioning were realistic, and not likely to be increased, for example by an unexpected tightening of regulatory standards.

This was a difficult area for a number of reasons. On the radioactive waste side, the UK has no national policy and no final repository for all but the mildest forms. There is also still some uncertainty about the precise timetables which the nuclear industry uses to calculate decommissioning costs. Thus, it was not possible to put firm limits on the extent of Scottish Nuclear's liabilities.

However, it seemed to us, based on indications of the government's thinking, that decisions in all these areas were imminent, and that they would favour Scottish Nuclear's approach. In other words, there was a greater likelihood that the company had provided for its future costs adequately rather than poorly.

'It will be up to the markets to judge whether such a rating is useful to financial decision makers'

The overall conclusion which we reached in our report was that Scottish Nuclear was "a modern, well-managed company with an excellent environment/safety record". It had developed a sound business strategy and was well-placed to generate the cash needed to fund its environmental liabilities.

On the negative side, we were concerned by Scottish Nuclear's policy of reinvesting its provisions in the business rather than placing them in a separate fund. This meant that money might not be available to meet unexpected needs, for example a plant having to be shut down early for technical or other reasons. We also injected a note of caution about the regulatory issues which still needed to be resolved.

In the wider context, we noted that public hostility to nuclear could inhibit the industry's prospects, and there was a chance – albeit small – that another Chernobyl would bring growth to a halt. But we also concluded that privatisation would, on balance, be a good thing, because the government would have to remove all the uncertainties to achieve a successful sale.

In setting the rating itself, we idantified 11 areas of potential risk, which we weighted and scored individually. There was also one area of potential environmental benefit: the possibility of a carbon tax on competing fossil fuels which would strengthen nuclear's relative position, though we thought the chances of this coming about were very small after the recent rumpus over VAT on home fuel.

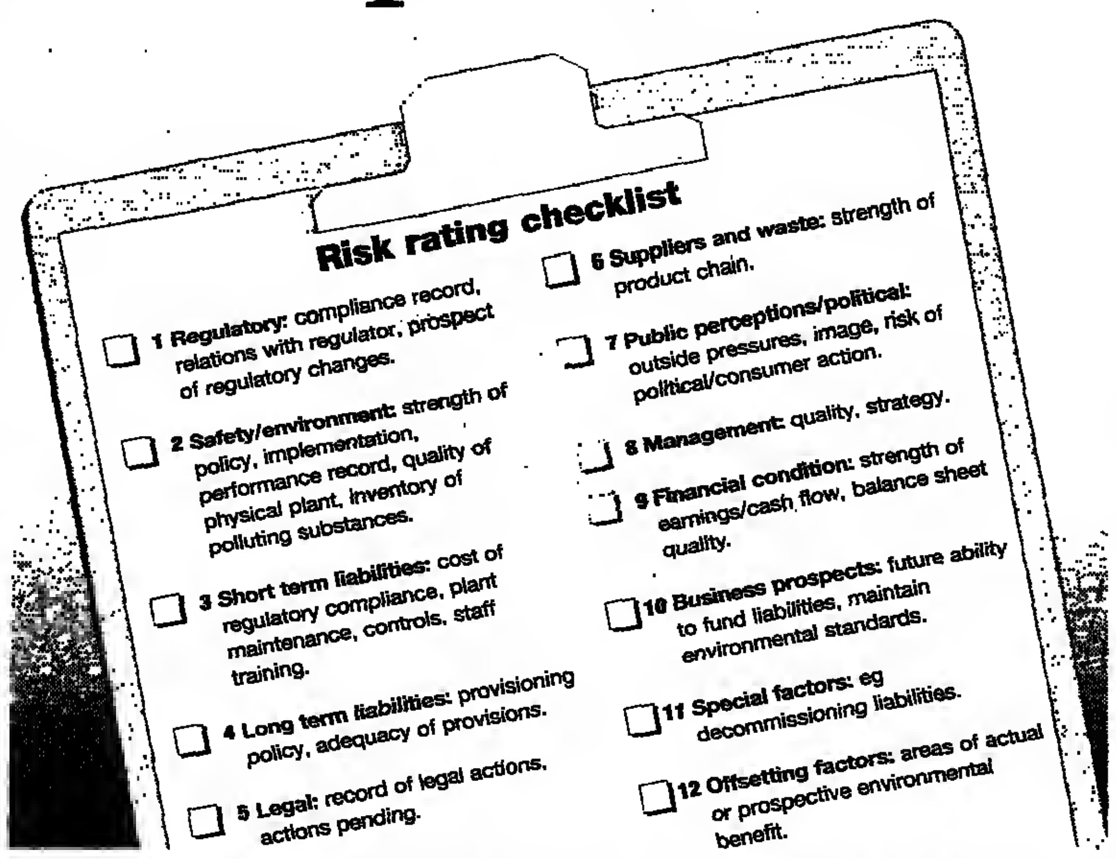
In the end, we assigned Scottish Nuclear the third best rating, an "A" on a seven point scale ranging from AAA to C. This reflected our judgment that Scottish Nuclear's liabilities, though large, were well-identified and under control. However, we thought that the financial arrangements for underwriting these risks were designed to meet only the most predictable liabilities. To earn the top rating, a company would have to be in a position to meet large unexpected costs, and spare its investors and bankers all nasty surprises.

We also concluded that Scottish Nuclear could qualify for a higher rating once the regulatory uncertainties had been cleared up. We were conscious, when we set the rating, that we were essentially trying to decide whether Scottish Nuclear was a safe investment, and the answer seemed to be yes.

Environmental risk rating is still in its infancy, and the methods we used will strike many as unsophisticated. But the purpose of the exercise was to see whether it could be done. Among the lessons we learnt was that environmental risk can be broken down into many constituent parts, and each can be analysed separately. Although nuclear activity carries special risks, we identified 12 such categories which could be universally applied (see table).

What was the value of the exercise? The report says that it will be up to the financial markets to jndge whether such a risk rating is useful to financial decision-makers.

Bnt we thought it highligbted aspects of a company "which are increasingly sensitive to the outside pressures of regulation and public opinion, in other words, forces which are to some extent beyond management control. It also touches on some of the longer-term aspects of a company's performance, which should belp counter the tendency to short-termism which is so often decried in today's markets."



Fishing for farmers

Deborah Hargreaves on calls to double aquaculture output

When Canada seized a Spanish trawler in international waters off Newfoundland recently, it sparked a bitter diplomatic row over environmental protection for dwindling fish stocks and cast the spotlight once again on the problem of overfishing.

While Canadian mounties were boarding the trawler Estai, the United Nations' Food and Agriculture Organisation in Rome was calling for a large increase in worldwide fisb farming capacity to supplement declining wild stocks of fish.

The world's aquaculture industry is already worth $20bn and accounts for around 20 per cent of the overall fish harvest. But most of the fish produced are fresh water species – so far only five per cent of farmed fish live in saltwater.

The FAO estimates fish farming must double output in the next 15 years to 31m tonnes just to keep up with population increases.

With 70 per cent of international fish stocks either depleted or near collapse, fisb farmers could be forced to expand even more rapidly in coming years unless fish is to become an expensive luxury for future generations.

"Aquaculture has seen a huge growth in the past 10 years and we are likely to see quantum leaps forward with new technology," says Robin Welcomme in Rome, who heads the FAO's inland water resources and aquaculture service.

The world's fish farming industry is in its infancy and at a stage of development reached by agriculture several hundred years ago. It is a more expensive method of producing fish – costing up to 20 per cent more for western consumer fish – and suffers from a poor environmental record in some parts of the world.

Most fish farming occurs in south-east Asia where fish is a staple of the diet. China accounts for more than half of the output with most systems focused on producing carp on a low-intensive basis. India has had rapid success with the production of farmed prawns and shrimps for export.

Western countries such as Canada, Norway and the UK are leading the research into the intensive production of high-value species such as halibut and turbot. Farmed salmon already accounts for around 60,000 tonnes of the UK's fish consumption.

The FAO expects rapid growth in global output of high-value species with developing nations looking to earn important export revenues from supplying western markets.

One big drawback to these species is that they are carnivorous and need to be fed high-quality fish meal. "The problem is that you have to catch low-quality fish to produce high value species – the industry is looking for white fish that are herbivorous and appeal to a western palate," says Malcolm McAllister, marine farming manager at the UK's Sea Fish Industry Authority. McAllister is leading research into commercial farming of halibut in Scotland.

China'a low-intensive methods concentrate on herbivorous fish, which are inexpensive to produce and rely on cheap labour, but mostly supply the local population. Other developing countries are looking to tilapia, a tropical white fish, which can grow quickly and is herbivorous, as an export earner. Jamaica supplies around 5,000 tonnes of tilapia to the UK and the US has started to import the species.

The FAO is trying to promote this type of fish farming in Africa and Latin America as a way for poor farmers to diversify and improve their profits.

Meanwhile, new technology is being developed to cut the cost of fish farming and to make it more environmentally-friendly. The Danish Institute of Aquaculture Technology has developed a water recirculating system for producing 200 tonnes of eel a year and is working on a similar project for saltwater fish.

The FAO believes aquaculture production can double in 15 years, but its recent report sounds a note of caution: "The challenge is formidable. Proper planning, environmental considerations, proper system management and disease control will have to play a more important role than at present if crashes in production are to be avoided."

ARTS

Television/**Christopher Dunkley**

A long look at life in the close

One of the advantages of the print medium over television is that you know from the outset what sort of item you are dealing with: a two-paragraph news story, a 400-page novel. You cannot predict the quality but you can easily see the *thing in* its entirety before you begin so that you know whether to expect a terse factual report or a relaxed holiday read spread over several days. With *television* your expectations can be wrong. The zappy half hour programme is now so common that anything which turns out to be longer and more relaxed is *in danger of* seeming slow and heavy. Two new series at the weekend faced this snag, one succumbing miserably and the other succeeding triumphantly.

MGM: When The Lion Roars is one of those programmes which sound as though they cannot fail: a three part series looking at Hollywood's biggest studio "using classic clips, rarely seen footage, and interviews with studio employees". We may pretend to be superior to clip shows, but most of us find them as moreish as liquorice allsorts. However, we should have realised the moment that Patrick Stewart appeared, complete with Hollywood staircase and lashings of dry ice, talking in portentous tones about "movie theatres" and "motion picture studios" that this was to be neither a simple indulgence like *That's Entertainment*, nor expert television history like Kevin Brownlow's *Hollywood*.

What we got instead was a turgid account of the early days of MGM which, despite its length (two hours) *still* managed to obscure as much as it revealed. It is 20 years since Kenneth Anger's first "Hollywood Babylon" book, so by now most of us have heard of the astonishing excesses – sexual, alcoholic, financial, narcotic – in the *early years of the industry. Yet this* programme simply pretended it had never happened, reverting instead to the tinsel and glamour routine, all the old stuff about the dream factory. Even when they did manage to come up with something more interesting, such as Helen Hayes' description of Irving Thalberg collapsing in London, they left us hanging in the air asking "Then what happened?" Only masochists will watch episode two.

On the other hand it would be difficult to resist part two of *The Choir*. The first episode used its 80 minutes to great effect, drawing you into the atmosphere of a cathedral choir school with a fixity of purpose which could never be indulged in any of those slam-bang half hour productions. The difficulty was in adjusting your assumptions to those of the drama, but director Ferdinand Fairfax and cameraman Brian Tufano made these clear pretty quickly. The opening shots inside the cathedral, showing the human individual in proportion to this amazing medieval architactural echievement, indicated the central importance of the building in the life of the close and, judging from the roof-leaking climax of episode one, within this narrative.

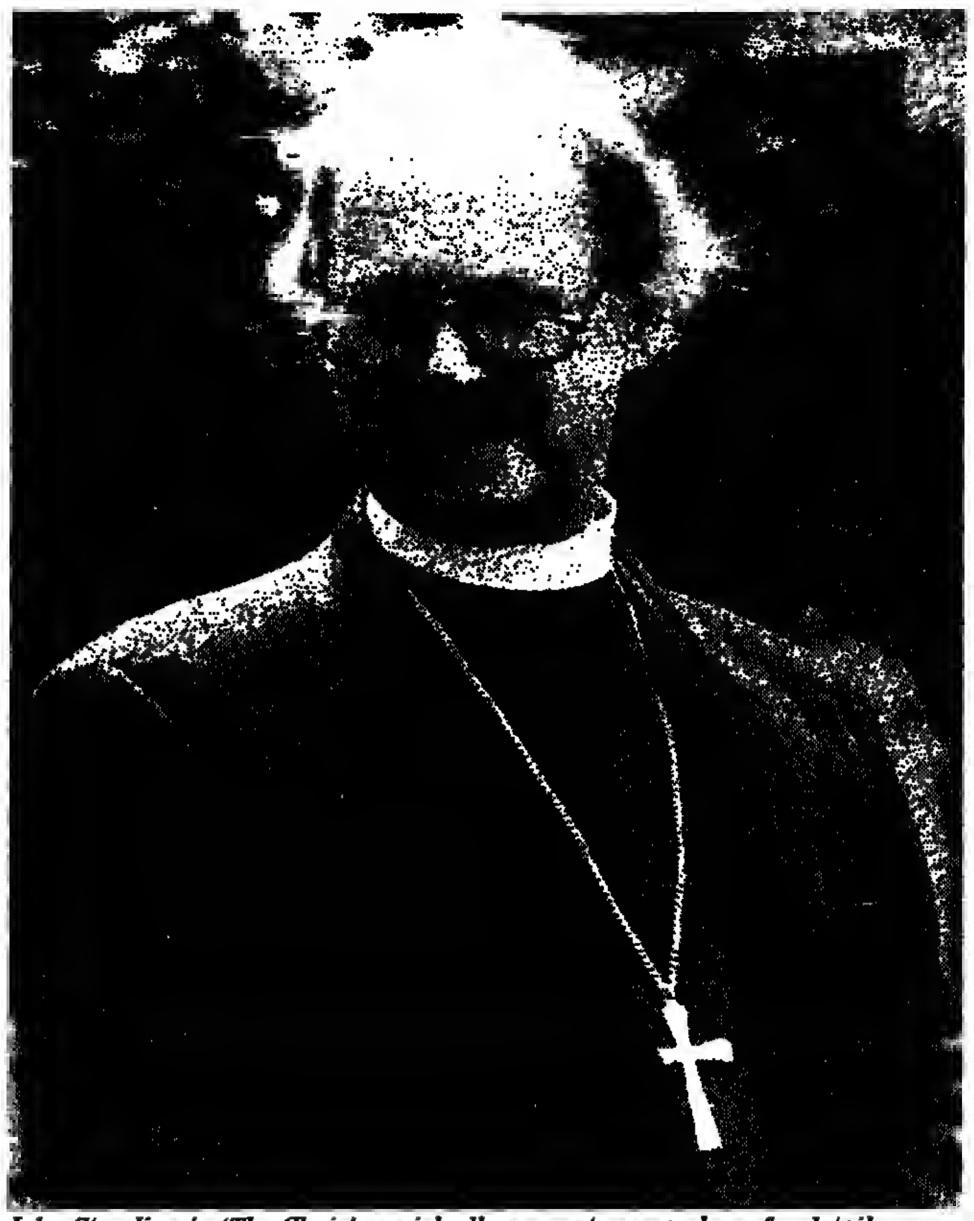
With all the self fulfilling hysterical bleating about "three minute culture" these days, it is important that television should continue to make longer and more lyrical dramas such as this. The sound of squealing tyres over a big close-up in an underground car park has become the staple of so many modern dramas that it is vital for television to remind us that other lives are still lived in other surroundings at different tempos. It was tempting at first to be impatient when the choral singing went on longer than seemed necessary for dramatic reasons, but then you realised that the anthem is as much the product *of this* community as, say, microchips are of Silicon Valley. Such considerations would, *of course,* be pointless unless the story and the acting were powerful enough to sustain our interest, but Joanna Trollope's book (and the expert dramatisation by Mr J.T., better known as television dramatist Ian Curteis who wrote *Churchill And The Generals* and so on) and splendid casting seem to take care of that.

No doubt there will be the usual sneers about "middle-class" drama from people who would not dream of sneering at flat-cap mill-town sagas for being working-class, nor at country-house costume dramas for being aristocratic. The question, surely, ought to be "Is it good middle-class drama?" and the answer, surely, is "yes". There is a degree of caricature here in the oh-so-precious dean, his infuriatingly interfering wife, his ghastly punk son, and his vodka swilling lovesick daughter. But the piece can easily support that degree of parody because it has a wickedly accurate ear and eye for the details of the cathedral close society, from the phraseology and attitudes of the choristers to the scheming of local politician Frank Ashworth. (Though after *Fox* it is difficult to see actor Peter Vaughan as anything but a cockney villain).

This business of length and pace can, of course, cut both ways. *Russian Wonderland* is yet another series about post-communist Russia, and this one gains from the brevity of its items. For some reason BBC2 began by stacking up three of them to make a conventional 50-minute programme, but subsequent episodes last just 10 minutes. That means that they really do come close to being the "snapshots" that programme makers so often claim is their object. Natasha, the devastatingly charming and yet sad six year old ("I *had* a happy *childhood* . . .") *who begs so expertly at* the Moscow traffic lights, Alexei who is dead keen *to do his national* service, Vladimir who is determined not to, and Julia who knifed and killed her husband, all come across in luminous vignettes. Of course we could learn more by staying with them longer, but something would also be lost – a vividness, perhaps.

As a medium for the explication of current affairs, television has never been more impressive than in the aftermath of the fall of the Berlin Wall. From a series looking at the wall itself *and all its implications to programmes* about the Russian mafia, from Norma Percy's engrossing series *on* the political background to a programme about *the significance of* the *Russian church*, the spectrum has been explored in remarkable detail. Now, having just seen the end of Daniel Wolf's eye-opening series *Messengers From Moscow*, about the cold war as experienced from the Soviet side, we have *Russian Wonderland*, a title translated from the Russians' own ironic phrase "strana chudyes". Saturday brought 10-minutes on the bizarre working lives of the people at the Gus Hrustalniy glass factory where wages are no longer paid. The workers receive glassware instead and try to sell it in street markets and to passengers on the Trans Siberia Railway. The mind boggles when you try to imagine similar circumstances in some post-apocalyptic Britain.

With so many programmes, internationally as well as nationally, now made to fit 30 and 60 minute slots it is important to acknowledge that *Russian Wonderland* and *The Choir* work extremely well at 10 and 80 minutes respectively.



John Standing in 'The Choir': a wickedly accurate ear and eye for detail

Theatre

Morning & Evening

At the Hampstead Theatre Club we have *Morning & Evening*, a play by the Danish writer Astrid Saalbach, as translated by Michael Evans: a "poetic" play, indeed, and very rum. Ms Saalbach explores formal devices – echoes, symmetries, mysterious parallels – that are no part of your standard British playwright's kit. Yet those are actually the substance of her play; its seemingly random episodes are by themselves mere vignettes, with the most tenuous "factual" connections. At curtain-down I was still puzzled, but also tantalised, and I found myself going on thinking about it.

Seen from one angle, the vignettes represent middle-class Danish life in unkind caricature. Food is a constant topic and often the basis of the action; otherwise the characters deal in bourgeois banalities, veering abruptly between progressive political sentiments, domestic small-change, and revelations of guilt, emptiness and unpleasant diseases.

Many scenes begin with some kind of apparent idyll, but proceed with weird alacrity to bleak disclosures that undermine them. Thus the three "Morning Scenes" of Act 1, and the four subsequent "Intermezzos" (for characters never seen before nor after); but the three "Evening Scenes" of Act 3 track the stages of a single family-and-friends dinner, at night "in a large old garden of a city" – *i.e.* in the posh residence of a professional do-gooding liberal woman, much like the doughty female minister of Act 1.

Earlier themes come back again: anorexia, fraught hesitations about marriage, a woman whose hair flies everywhere and into the food, a man who suddenly messes his trousers. When somebody's small daughter develops a strange rash, it takes the form of an angel. Later there is a great outcry of birds at the wrong time of night, the moon and stars are mysteriously extinguished, and momentarily the little girl has a vision that draws the grown-ups raptly in.

Whilst the play goes on, every conversation is bizarre: *almost* in colloquial down-to-earth English, but perpetually fractured by turns that no natural English discourse would take. Perhaps that is natural, hermetic Danish, or perhaps it is poetry; one was never sure. Everywhere the actors are relentlessly actorishly bright and eager, or at least pithily articulate, which might be poetical enhancement, or just failed naturalism. Each of them takes three or four roles, and the effort of making them distinct sometimes results in sit-com cartoons.

I note that Ms Saalbach won her first international success with a radio play. *Morning & Evening* is virtually a radio play too, and perhaps fleshing it out risked gilding the lily with adipose tissue. But it is abstractly, quirkily *interesting*, not at all boring – and it takes less than an 1¾ hours, including the interval.

D.M.

Alastair Muir

Selina Cadell and Alex Kingston

Music in London/**David Murray**

The Vogler Quartet

Will East German musical education maintain its virtue? I ask this futile question (answer: time will tell) because in two concerts last week, the young Vogler Quartet from East Berlin reminded us so forcefully that theirs is an invaluable tradition. In a word, the special virtue is *probity:* not in itself an exciting virtue, but the musical foundation for almost everything else.

With the Cold War, conservatoires in eastern Europe drew sharply inwards. Not for them the postwar Western facing-up to a sophisticated avant-garde that despised most between-the-wars music; instead, officialdom demanded popularly accessible work, preferably folk-based – but also the classics, which continued to be studied with minimal reference to ideology. In fact the roster of unfavoured composers in communist Europe included most of those branded by the Nazis as purveyors of *entartete Kunst*, "degenerate art"; but music students were still trained up in Mozart, Beethoven, Schumann, Brahms and Bruckner as they had always been.

It was a mark of that tradition that the conductors Kurt Sanderling, Kurt Masur and Marek Janowski became known in the west quite late. In the east, you had to establish your worth through long apprenticeship; and when a few younger artists were allowed to test the western market, they shone – *cf.* Olaf Baer – precisely because of their combination of precociously serious loyalty to the music with modest, unshowy expertise.

That used to result, with luck, in local (*i.e.* eastern European) acclaim and a state salary; but now an early, fabulously rewarded western career is what everybody wants. Can that still leave room for the old-fashioned, well-tutored maturing that has made the Vogler Quartet – already ten years old – what they are?

At the Wigmore Hall on Wednesday and Sunday they played Beethoven and Mendelssohn twice over, with one-off excursions into Schönberg and Krenek. Both their Mendelssohns (op. 12 and 13) were faultlessly stylish *and* exciting, with a caveat to be entered only about the two Intermezzi. The music in those should be winsome, but knowing twinkles are so far not part of the sober Vogler kit: a touch of conscious charm would help. *Op. 13, the A minor quartet,* was nonetheless a marvellous performance, as rich a reading as I've heard.

They delivered Krenek's twelve-note Quartet no. 7 with judicious, well-tuned grace. So too Schönberg's Fourth, his last; there, though, I thought they left its dramatic profile decidedly understated. Each episode was rendered in lucid detail, but the whole sounded tamer than it should, despite their sonorous unisons in the Lento recitatives. (Perhaps the recent memory of Schönberg's Trio, as played by Thomas Zehetmair & co, made an unfair comparison.)

In Beethoven's op. 135 they were similarly clever but cautious: plenty of insightful touches, few of them evidently connected to any larger plan. It took his op. 127 to demonstrate their powers at full strength: grand authority in every movement (with the gorgeous sound one expected from them in the opening Maestoso), and a lyrical, timeless Adagio that might happily have gone on forever.

That was not the kind of musical experience one could sensibly argue with. It was great music superbly played, and one surrendered to it; it took some effort later to realise how much greater an effort the illusion of simplicity must have cost the Vogler Quartet.

Les Mamelles de Tiresias

In the sparky style of Mary Jones's surtitles for Poulenc's little *opéra-bouffe* on Friday, this becomes *"Theresa's Tits"*; for the gender-swapping Tiresias-figure here is the virile heroine Thérèse, who disdainfully sends those objects flying and sings a sentimental "Boston" to them as they float away.

That may suggest something fashionably kinky. *Not at all: Guillaume* Apollinaire's surrealist-feminist comedy of 1917 is serious about nothing, cheerfully anarchical about everything. *When Poulenc set* it to music 30 years later, he treated it *as* almost pure music-hall.

The score is a cornucopia of catchy, energetic tunes, *one replacing* another every minute or so, and of shamelessly heartfelt *effusions* too. Nothing takes long; it all goes very *fast*, *and* invites outrageous licence from its performers along with strict up-tempo precision. Poulenc claimed, rightly, that it was just as "characteristic" of him *as* his pious *Gloria*: the whole composer is there.

The Queen Elizabeth Hall performance was unstaged, but the conductor Simon Rattle and a first-rate *cast did more than enough to seize* the character of the piece and brandish *it enthusiastically*. The *London* Sinfonietta and their Chorus enjoyed *letting their hair* down no less. The result was universal delight among the full house. It seemed a great pity not to have *contrived* a *thrifty staging* (*easily* done) for *Tiresias* and played it for *several nights* – but they might then have economised on their casting, which was luxurious for a one-night stand.

Barbara Bonney was Thérèse, busting out all over in pink and delivering her music in *flawless* style, though her words lost some bite as they crossed over the orchestra. Philip Langridge was her bereft husband, *comically eager as* he set to producing 40,050 children single-handed (as it were). Among other excellent performers, the *tenor Peter Hall and the baritone* Simon Keenlyside – who got the Theatre Director's *rich prologue as* well as the role of lecherous Gendarme – *approached lusty perfection.*

It is much too long since *Les Mamelles* was put on in London. It is a hugely *life-enhancing piece*, silly though it may seem, and Poul*enc-lovers need a solid dose of it* every few years. To the best of my knowledge, Cluytens' exuberant LP recording with Denise Duval and Jean Giraudeau has never yet reappeared on a *CD*: why ever not?

This was a concert in the South Bank's ongoing "Towards the Millennium" series, so old Poulenc had *to be prefaced with early Boulez* from about the same date. Not a very good idea, *especially* since the audience for Poulenc found themselves *facing a second play-through* of the Boulez (presumably by way of eking the concert out to a respectable length): *Le Soleil des eaux is partly a collage from* Boulez's early theatre-scores, and there *is no secret thread to be winkled* out on a second hearing. But Lucy *Shelton was a refined and subtle* soprano soloist, and the Sinfonietta *Chorus abetted her bravely (more* confidently in the repeat): those few *of us who admire* both Boulez *and* Poulenc were happy enough.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA/BALLET

Het Muziektheater Tel: (020) 551 8922

● Schoenberg Trilogy: new *productions* of "Die Glückliche Hand", "Von Haute auf Morgen" and "*Erwartung*" *and* the first time these three one-act operas are playing in *one performance.* With David-Wilson Johnson, Isoldé Elchlepp and conductor Winfried Maczewski; 8pm; Mar 22, 25, 28

■ BERLIN

OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01

● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Mar 22, 25

● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 24

● The Girl of the Golden West: by Puccini. A new production conducted by *Paolo Olmi and* produced by Frank Corsaro. Soloists include *Galina Kalinina and George* Fortune; 7pm; Mar 23, 26

Staatsoper unter den Linden Tel: (030) 200 4762

● *Der Rosenkavalier: by Strauss.* Nicolas Brieger directs this new *production. The sets are designed* by Raimund Bauer and Donald *Runnicles conducts*; 6.30pm; Mar 26 (6pm)

■ FRANKFURT

CONCERTS

Alte Oper Tel: (069) 1340 400

● South Western Radio Orchestra: with mezzo-soprano Vesseline Kasarova and tenor Zoran Todorovich. Peter Falk conducts a variety of operatic pieces; 8pm; Mar 22

■ LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● Mahler Festival: this concert opens the second part of Michael Tilson Thomas' Mahler Festival, the highlight of his final season as the principal conductor of the LSO. This performance *includes the UK* premiere of Schnittke's "Concerto Grosso No.5"; *7.30pm*; Mar 22

● Mahler Festival: Michael Tilson *Thomas conducts the London* Symphony Orchestra with tenor Ben *Heppner* and baritone Thomas Hampson to play Mahler and Rott; *7.30pm*; Mar 26

● Royal Concertgebouw Orchestra: *with pianist* Maria Joao Pires. Riccardo Chailly conducts *Beethoven* and Strauss; 7.30pm; Mar 28

Royal Festival Hall *Tel: (0171) 928* 8800

● *City of Birmingham Symphony* Orchestra: Sir Simon Rattle *conducts* Britten, Schoenberg and Shostakovich; 7.30pm; Mar 23

● *Grand Classical Gala:* National Symphony Orchestra conducted by David Coleman plays a variety of operatic pieces; 7.30pm; Mar 26

● *Royal Choral Society:* with the English Chamber Orchestra and soloists Susan Gritton and Michael Georga. Richard Cooke conducts Saint-Saëns and Brahms; 7.30pm; Mar 28

● Royal Philharmonic Orchestra: Vladimir Ashkenazy conducts Beethoven and Shostakovich; 7.30pm; Mar 25

Wigmore Hall Tel: (0171) 935 2141

● Song Recital Series: with baritone Thomas Hampson and pianist Wolfram Rieger in a programme of Grieg, Mahler and Butterworth; 7.30pm; Mar 24

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● *Don Giovanni*: a *new production* of Mozart's opera. House debuts for *director* Guy Joosten and *conductor* Markus Stenz; 7pm; Mar 23, 25

● *Madama Butterfly:* Puccini's opera, originally directed by Graham Vick; 7.30*pm*; *Mar 22, 24, 28*

Royal Opera House Tel: (0171) 304 4000

● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 25 (7pm)

● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard *Haitink; 5.30pm; Mar 27*

● Swan Lake: by Tchaikovsky. *Choreographed by Marius Petipa* and Lev Ivanov, production by *Anthony Dowell; 7.30pm; Mar 22, 23*

■ MUNICH

OPERA/BALLET

Bayerische Staatsoper Tel: (089) 22 13 18

● The Nutcracker: music by Tchaikovsky. Choreographed by John Neumeier and conducted by André Presser; 7.30pm; Mar 28

■ NEW YORK

CONCERTS

Avery Fisher Tel: (212) 875 5030

● New York Philharmonic: Sir Colin Davis conducts an all-Sibelius programme; 8pm; Mar 23, 24, 25

Carnegie Hall Tel: (212) 247 7800

● Orchestra of St. Luke's: with *soloist Alicia de Larrocha.* André Previn conducts Mozart and Haydn; 8pm; Mar 25

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Idomeneo: by Mozart. Produced by *Jean Pierre Ponnelle, conducted* by James Levine; 8pm; Mar 25

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 24

● Pelléas et Mélisande: by Debussy. A new *production* by Jonathan Miller. Conducted by James Levine; 8pm; Mar 23, 27

● Tosca: by Puccini; 8pm; Mar 22, 25

New York City Opera Tel: (212) 307 4100

● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/ Richard Drews; 8pm; Mar 25, 28

● The Merry Widow: music by Lehár, English book adaptation by Robert Johanson. Conducted by Eric Stern, directed by Robert Johanson; 8pm; Mar 26 (1.30pm)

■ PARIS

CONCERTS

Champs Elysées Tel:(1) 49 52 50 50

● National Orchestra of France: with baritone Boris Martinovic and pianist Michel Béroff. Victor Puhl conducts Mozart, Mussorgsky and Prokofiev; 8.30pm; Mar 23

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40

● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the *Philharmonia Orchestra*; 7.30pm; Mar 25, 28

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● *The Masked Ball*: by Verdi. Conducted by Antonello Allemandi *and produced* by Nicolas Joël. Soloists include Gegam Grigorian; 7.30pm; Mar 23

■ PRAGUE

GALLERIES

Old Royal Palace Tel: (2) 3337 2272

● Antony Gormley's "The European Field": under the instruction of Gormley, clay figures made in the Swedish town of Ostra Grevie are placed in a field; to Apr 30

■ VIENNA

CONCERTS

Gesellschaft der Musikfreunde *Tel: (1) 505 1363*

● Royal Concertgebouw Orchestra: *Riccardo Chailly conducts* Stravinsky, Prokofiev and Strauss; *7.30pm; Mar 25, 26*

● Wiener Symphoniker: with pianist Rudolf Buchbinder. Nikolaus Harnoncourt conducts Beethoven's "Pianoconcert No.5" and "Symphony No.8"; 7.30pm; Mar 22, 23

GALLERIES

National Gallery Tel: (202) 737 4215

● Claes Oldenburg: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Mar 25 (7pm), 27 (7pm)

● Tiefland: by Eugen d'Albert. *Roman Terleckyj directs a new* production by designer Zack Brown. In *German with English surtitles;* 8pm; Mar 23, 26 (2pm), 28

THEATRE

Kennedy Center Tel: (202) 467 *4600*

● The Art of the Samurai: a two-part programme that includes a demonstration of Samurai sword fighting and a performance of Akho-Gishi, a Japanese historical drama from the Edo period (1600-1868) directed by Takashi Ishiguro; 7pm; Mar 27, 28

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Edward Mortimer

At arm's length

Non-profit groups should not be beholden to governments

Columnists should not worry about hate mail. After all, they are supposed to be provocative. Fan mail is much more worrying, especially when it comes from the Establishment.

I have been worrying for six months about a nice letter I got from a Brazilian diplomat after a column I wrote on non-governmental organisations ("NGOs rule OK", 21 September 1994). How right I was, he said, to highlight the paradox whereby elected governments are "considered less trustworthy than pop singers that no one voted for".

Hmm. Obviously the Brazilian government is fed up with being criticised by environmental groups for encouraging, or failing to stop, the destruction of the Amazon rainforest. It sounds uncomfortably as if I, by questioning ever so gently the credentials of those organisations, have belped give it a good conscience.

I can just about bear that. The diplomat is a friend, and tbe Brazilian government is indeed an elected one. In fact a new one has been elected since our exchauge, although whether better or worse for the rainforest I am not sure. Trees do not have votes, and the votes of the forest peoples do not count for much.

At least I haven't received any nice letters from Sudanese diplomats, hut that may have heen a narrow escape. "Are NGOs tbe ugly face of neo-imperialism?", asks the newsletter Sudan Focus. It goes on to answer its own question in the affirmative, largely on the basis of Sudanese official accusations. These are that international NGOs doing relief work in Sudan hava been helping the rebel Sudan People's Liberation Army; and that blasphemy against Islam has been committed by Amnesty International, whicb detailed human rigbts abuses by the SPLA as well as the government (it said that "flogging constitutes a cruel, inhuman and degrading punishment").

Almost as embarrassingly, I seem to have put myself on the side of Vaclav Klaus, the Thatcberite prime minister of the Czech Republic, against the universally revered philosopher-president, Vaclav Havel. Those two dignitaries have an endearing habit of airing their differences in public. Last May they had a televised dehate, precisely on the issue of non-profit organisations.

Havel favours these because they "fill the space between the state and the citizen and their existence motivates citizens to take an interest in public affairs". Klaus is suspicious of them, because "the defenders of non-profit organisations think they know best whal is good for puhlic welfare and they want to impose tbeir views on us". He sees no further need for "civil society", now that the Czech repuhlic

If civil society is sponsored by the state, it ceases to be civil. NGOs become quangos

has free political parties and free elections. in his view the only basic element of a democratic society is the citizen, and "everything that is above tbe citizen is derived from him".

Well, yes. But the state and political parties are not the only things thal derive from tbe citizen. Countries where virtually all voluntary activities – fishing clubs, football teams, trade unions, newspapers, TV channels – are run by political parties are not generally considered the most healthily democratic, even wben there is more than one party. in fact that is precisely the regime – called "partitocrazia" (rule hy parties) – that the Italians have had to get rid of because it was so stifling and corrupt. According to Havel, this was also what was wrong with the first Czechoslovak repuhlic (1918-38), "when our life was horribly influenced by partisanship, when everything was in the hands of political parties, when every solution was marked hy party viewpoints".

Havel is rigbt to say that parties should be "merely the extreme tip of a colourful social life", and draw their energy and inspiration "from the fertile soil and multilayered environment of civil society". The sort of society envisaged by the French philosopher Jean-Jacques Rousseau, in whicb there is nothing between the individual citizen and the state, would be bleak to live in and probably democratic only in name. Like Havel, I prefer the vision of the liberal thinkers Edmund Burke and Alexis de Tocqueville. They relished a society full of untidy, overlapping non-governmental associations that have grown up over time and are rooted in local culture.

Governments often find such untidy growths inconvenient and are tempted to cut through them. That must be resisted. But can civil society look to the stale for positive help? Can the state estahlish legal and social conditions that would promote the development of civil society?

Up to a point, yes, but one needs to be very careful. If civil society hecomes state-sponsored, it ceases to he civil, and NGOs become quangos; in other words they cease to be genuinely autonomous.

The same thought makes me suspicious of the section on "glohal civil society" in the recent report* of the Commission on Global Governance, the group of eminent persons looking at the reform of the UN. I like their idea that non-state hodies should have a right of petition to the UN Security Council when the "security of peopla" is threatened by action or inaction on the part of governments. But their proposal for an annual "forum of civil society", meeting in the hall of the General Assembly, makes me wince. Drawing NGOs into the UN system would make them more bureaucratic and less independent – more governmental, in fact.

No. Civil society hy definition must be separate from political power. The NGOs' place is on the outside. It is not their job to make life easy for governments.

*"Our Global Neighbourhood" (Oxford, £25 hb, £6.99 pb).

A long wait for UN's green light

Robert Corzine finds Iraqis struggling to make ends meet and foreigners keen to do business

Boisterous marriage parties, complete with ululating women and brass bands, are still held in the big botels of Baghdad. But hookings are well down because many young people, even those from relatively well-to-do families, can no longer afford dowries and marriage celebrations.

Nearly five years after United Nations sanctions were imposed on Iraq following its invasion of Kuwait, the trade embargo is biting deeply.

Baghdad's noisy traffic jams give the city the air of a bustling commercial centre, hut they are fuelled by subsidised petrol costing a fraction of a US cent per gallon – about the only commodity now priced within reach of tbe average Iraqi. The ramshackle state of the cars and trucks is a more accurate reflection of Iraq's economic outlook.

Rampant inflation has made the food ration card more important tban tbe wage packet for most Iraqis. A kilogramme of meat in the market can cost 1,300 dinars (just under half the average monthly wage, although worth only about $1 on the black market).

Before President Saddam Hussein's decision to invade Kuwait and the suhsequent Gulf war, Iraq's oil wealth not only provided the government with sufficient money to buy and manufacture an arsenal of weapons but also allowed its 18m inhabitants to spend freely. "It was not unusual for families to have at least $300-worth of food in tbeir cupboards", says one government official.

Now most Iraqis depend on a subsidised monthly ration of 6kg of flour, 1.25kg of rice, 750g of sugar, 600g of cooking oil, 500g of laundry powder and one and a half bars of soap.

As for medicine, "there is no shortage," says one western charity worker. "There is a total ahsence." Tbe parlous state of what was once one of the Middle East's most extensive bealth care systems is exacerbated by Iraqi government policies.

The government has refused to accept a UN proposal for a one-off sale of $1.6bn of oil to fund additional imports of food and medicine, arguing that the requirement that the aid be distributed hy the UN is an unacceptable violation of Iraq's sovereignty.

Iraq's present impoverishment is partly self-inflicted, and belies its status as tbe holder of the world's second-largest oil reserves and its potential as one of the wealthiest Arab countries. Much of the wealth was squandered on Mr Saddam's military adventures that led to the Iran-Iraq war in the 1980s and tha 1990-91 Gulf war.

But it is difficult to assess where ordinary Iraqis lay tbe blame for their present predicament. Many, for example, say they support the government stance on the one-off oil sales. There is also a widespread belief in a US-Saudi Arabian conspiracy to keep Iraqi oil off international markets.

Some people talk elliptically about "our problem", but few speak freely with foreigners aboul the president – the fear engendered hy tbe regime's ubiquitous secret police makes sure of that. Even taxi-drivers claim ignorance aboul tbe occupant of lhe beavily guarded, opulent riverside palace that diplomats say is his principal Baghdad home.

The economic deterioration that has made everyday life such a struggle for poor Iraqis is spreading to the middle classes. The air travel embargo has forced Boeing-trained engineers into backstreet vehicle workshops. Professionals whose services are in demand, such as doctors, supplement their salaries witb private work for US dollars.

Others spend much of the day trying to keep tbeir wealth intact by dealing on the thriving hlack market in dollars, even though possession of the American currency is punishable hy life imprisonment.

"What you are seeing is the dissolution of Iraq's middle class," says one Iraqi engineer.

Many with specialist skills choose to join the 10 per cent or so of the Iraqi population who have fled abroad. This is in spite of having to hand over up to 1m dinars to the government to gain an exit visa.

Those who remain say the steady decline of tbe middle class as a result of sanctions carries with lt undesirahle political, as well as economic, effects.

They say the educated technocrats, among the only moderating influences on the government, are losing their clout because the continued sanctions are reinforcing the hard-line, anti-western elements within the Iraqi leadership.

Last week's announcement that Iraq will welcome foreign investment in its oil sector once sanctions are lifted had the backing of the ruling Baath party. But it was inspired hy the technocrats, who see the revitalisation of the industry as a prerequisite for Iraq's eventual economic recovery and political rehabilitation.

Although sanctions have played a part in persuading Iraq to dismantle most of its capacity to produce weapons of mass destruction, they appear to have had little direct impact on tha leadership itself, according to diplomats.

One European envoy with extensive experience in Iraq says it is "nonsense" to believe that sanctions will lead to the president's overthrow. "The average Iraqi prefers to die in his bed from hunger than from Republican Guard hullets," he says.

But that does not mean the government faces no opposition. There have been recent but unconfirmed reports of attempted coups d'etat. Security in and around the capital is pervasive. Troops are stationed around all government huildings, although the level of alert appears relatively low.

The army and police presence is heavier, however, around centres of oppositton outside Baghdad. The road leading into Kerbala, for example, the Shia stronghold about 100km south of the capital, is lined with army checkpoints, machine gun posts and armoured vehicle bases.

The city's skyline is dominated by the golden domes of its two famous mosques, home to soma of Shia Islam's most sacred shrines. The mosques are surrounded by a large dusty field, on the edge of which stand the empty remains of partly demolished buildings and large piles of rubble.

"The Americans bombed tham," insists one man. Another explains that it is an urban renewal project. Later, a government spokesman concedes that the damage dates to the Shia uprising at the end of the Gulf war, when the locals had "an argument with the army".

The ability of Iraq's regime to remain in power in spite of widespread economic deprivation and political opposition in the Kurdish north, the Shia-dominated southern areas and from the Marsh Arabs who live in the delta of the Tigris and Euphrates rivers, poses a dilemma for western governments.

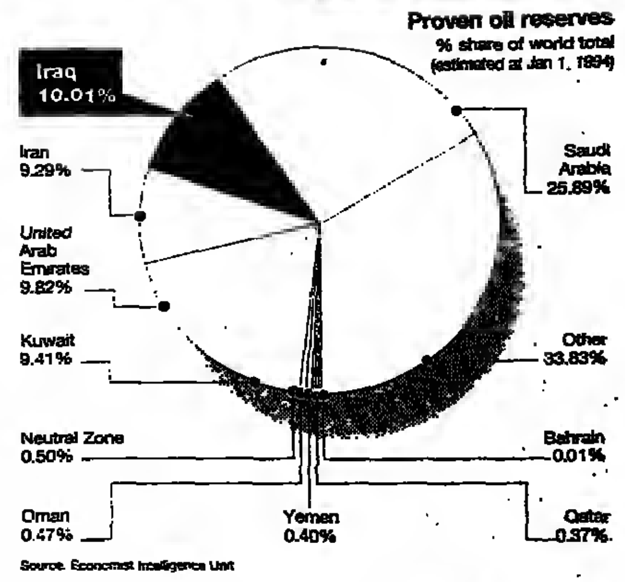
The US, frustrated at the failure of sanctions to topple Mr Saddam, says it will oppose any early lifting of sanctions even if Iraq meets the formal requirements that it dismantle completely its capability to produce weapons of mass destruction. The US says this is because the Iraqi regime still poses a threat to its neighbours and has shown little contrition for its attack on Kuwait.

Other members of the Gulf war coalition, including France and Russia, are less sure. Their motivation is a mixture of humanitarian and commercial concerns. They argue that sanctions are only impoverishing the Iraqi people and are depriving western companies of business opportunities. The oil embargo, they say, should be lifted if the UN certifies that Iraq has complied with UN resolutions.

That could happen as early as next month, when the Security Council receives a report from its special envoy, although lingering questions about Iraq's hiological warfare programme could delay a positive report until later in the year.

Once the UN grants its seal of approval, France, Russia, China and a number of other countries appear ready to deal once again with what one western diplomat calls "the devil they know".

Iraq: riches out of reach



Source: Economist Intelligence Unit

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters wrinen in the main international languages.

Territorial claims all at sea in east

From Mr Michael C Alcamo.

Sir, Your account of China's territorial claims on the body of water you labelled as the "South China Sea" illustrates just how important it is to be friends witb tbe people drawing the maps ("Tbe waters beyond Mischief Reef", March 15).

During a recent visit to Vietnam, I learned that the 75m citizens of that country have long referred to this body of water as tbe "Eastern Sea". The nama, of course, describes its location witb respect to Vietnam – whicb also claims sovereignty over it.

Michael C Alcamo,
272 First Avenue,
Apartment 10F,
New York City,
New York 100009, US

Chocolate proposal disastrous

From Mr Anet N'Zi Nanan Koliabo.

Sir, May I point out the implications should the EU decide to harmonise legislation on chocolate ("Germans find EU chocolate rules not to their taste", March 13) and allow all member states to incorporate 5 per cent vegetable fat in chocolate – as they currently can in tbe UK, Denmark and the Republic of Ireland.

It is estimated thal the fall in Community demand for cocoa and chocolate products would he in tbe region of 200,000 tonnes of cocoa beans per year.

The replacement of cocoa butter hy vegetable fats would be disastrous for many African, Caribbean and Pacific (ACP) economies such as Ivory Coast, which depends for more than 35 per cent of its foreign exchange on cocoa. Indeed, the 31 ACP states concerned, accounting for 65 per cent of the world's cocoa production and 85 per cent of EU cocoa imports, would lose around 300m Ecus.

Besides the damage that will be done to tbe image of chocolate as a result of the directive, there would be worse to fear from a future dismantling of cocoa-processing activities in the producer countries, namely Ivory Coast, Cameroun, Nigeria and Ghana.

Under EU mechanisms for the stabilisation of export earnings (known as Stahex), the cost of the drop in export revenue suffered by the 31 ACP countries that produce cocoa would have to be met by Community intervention. It is unlikely the Stabex fund could bear this and, in turn, this would jeopardise the intervention of Stabex on other commodities. Ultimately, the cost would be borne by the EU taxpayer.

ACP countries are in favour of harmonising tbe so-called "chocolate directive" and therehy introducing an internal market in the product in the EU, but not if this means using vegetable fats other than cocoa butter and allowing the "5 per cent rule".

Anet N'Zi Nanan Koliabo,
Ivory Const ambnssndor to Benelux and European Union,
Avenue Franklin Roosevclt 234,
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Belgium

Real power

From Mrs Barbara Yerolemou.

Sir, I was encouraged hy David Lascelles's report that in the future each household may have its own generator producing its own electricity ("More than one way to go", March 15).

At last, power lo the people, for the people and hy use of the people.

Capitalism rules OK.

Barbara Yerolemou,
17 Heathcroft,
London W5 3BY, UK

UK shows the way on privatisation

From Mr John Devaney.

Sir, I would like to applaud and support the article hy Mr Edmund Wallis, chief executive of PowerGen (Persoual View, March 21), where he points out some of the importanl cbanges and evolutions wbich have taken place in his own company since the privatisation of the electricity industry.

These types of changes have been replicated in other segments of tbe privatised electricity industry, whether lt be the Scottish integrated companies, the generators or the distribution companies.

The industry as a whole employs 117,000 people, has a sales turnover of £29bn and paid corporation tax last year of £900m.

David Lascelles' article, "California leads US in opening electricity market" (Marcb 21), illustrates the fact that the UK model of privatisation, while not perfect, is heading in the right direction and is regarded internationally as being one of the best models of privatisation of o utility industry.

It is a pity that the achievements of those wbo work in and manage the industry are continuously being subsumed under an avalanche of criticism.

It is time that the UK recognised that this is the only leading European country where electricity prices are going down and service standards are going up. We have something here to be proud of, not ashamed of.

John Devaney,
president of the Electricity Association,
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UK insolvency law not perfect, but working reasonably well

From Mr Richard Bethell-Jones.

Sir, Lex ("Healing the wounded", March 21) comments that the Queens Moat Houses affair has shown up substantial flaws in the UK system of corporate restructurings. However, the suggestion that a move to US-style Chapter 11 proceedings might help is misconceived. Chapter 11 is no quicker or cheaper than UK administration procedure introduced in 1986. An administration order and company voluntary arrangement would have enahled QMH to deal with the problem of a single debt trader holding a deal to ransom.

The problem with any international gronp, particularly where there is a large number of banks lending to different parts of the group, is that there is no single jurisdiction under whicb a restructuring can be carried out. An administration order for the UK parent will not keep creditors of a German subsidiary at bay. No change to UK law will deal with that.

The interesting question is whetber restructurings such as QMH and Heron might have been cbeaper if an administration order had heen used instead of a work-out under the London approach. A feature of tha London approach work-out is that trade and other non-finance creditors do not share the pain. The QMH costs will have to be borne by the shareholders and banks alone. Suppliers to QMH may think the procedure rather a good idea.

The imaginative approach advocated by some economists, and referred to hy Lex, for debt equity swaps is already what happens when the circumstances make it worthwhile. But making lt compulsory in the run-of-the-mill case cannot be right.

No sane creditor will want to convert debt into a minority equity stake in an under-capitalised, unlisted company with fragmented ownership, being run by managemenl whose interest is to maximise lheir income ratber lban sbareholder value.

The fact is that the UK insolvency reforms introduced in 1986 were reasonably well thoughl oul and are working reasonably well. Calling for a change to insolvency law because some restructurings are very expensive is like calling for the abolition of securities regulation because compliance is so expensive. At any rate the crack about tbe commercial interest of the "pack of professionals" was pretty cheap.

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A depressing departure

Tbe departure of Rupert Pennant-Rea from his position as deputy governor of the Bank of England is a depressing event. It is depressing both for him and for the Bank of England. But it is also depressing for what it says about the British people.

His nomination to this post in January 1993 did come as a great surprisa, but the passage of time made it look increasingly inspired. This departure is quite as surprising, but it is also thoroughly dispiriting. Public prurience, and the bitterness of the scorned lover, have triumphed once more over common sense and respect for ability.

What is it that makes the British so narrowly moralistic? It is certainly not their own high standards of sexual fidelity. This is, after all, a country with the normal amount of sexual infidelity. For the inhabitants – or, indeed, the leaders – of such a country to insist on the highest standard of sexual propriety seems laughable.

Religious leaders should perhaps be expected to live by the standards they publicly profess. The same could also be true for those foolish politicians who prate of morality, only to be caught *in flagrante delicto*.

Deputy governors of the Bank of England have no such obligation to uphold sexual morality. That is not what they are there for. Upholding the value of the currency would be a rather more relevant achievement.

What is more, if beads had to roll at the Bank of England, far better reasons could readily have been found in recent years. A few could have rolled over the collapse of BCCI, for example, or over the inglorious end to sterling's membership of the ERM, or even over the unexpected failure of Barings.

Professional mistakes were arguably made in these cases. Yet it is not any such incompetence but sexual misconduct that has, in the end, driven a senior official from his post.

If infidelity itself is a ridiculous reason for resignation, the way the affair has been conducted is a marginally less implausible one. His alleged behaviour has made Mr Pennant-Rea's attitude to the Bank appear frivolous.

Central banks have to be taken seriously, particularly ones with proud pasts but somewhat less glorious presents. A deputy governor, particularly one recently arrived from Grub Street, should look suitably sober. Otherwise, he loses some of the respect on which his effectiveness depends. The details of these revelations would seem to have put that, at least for the moment, beyond Mr Pennant-Rea's reach.

This is a consideration, but in itself should not bave been damaging enough to deprive him of office. Mr Pennant-Rea's has proved not just a surprising appointment, but also an excellent one: be provided the fresh outside eye the Bank needed; be implemented a much-needed reorganisation: he worked hard to improve the career prospects of the Bank's bright young staff; and be provided the management that the governor, Mr Eddie George, for all his many abilities, did not.

Mr Pennant-Rea's brief tenure was a success and the manner of his departure more of a scandal than the peccadillo that caused it. It is, in all, a typically British story, about a country that cares far more for appearances than for achievements. The unhappy ending can be partially redeemed only by securing an equally competent replacement.

Leading the WTO

The end of the lengthy deadlock over the leadership of the World Trade Organisation is a cause for relief, but not celebration. The circumstances in which the decision was reached, and the deep divisions it has opened up between the world's main economic powers, are a disturbing augury for the new body's future. If it is to fulfil the central role proposed for it in global economic policy-making, the damage inflicted by the dispute must be repaired quickly.

The WTO's success will depend almost entirely on its credibility. That, in turn, rests on the personal authority of its leader. He bears crucial responsibility for defining its agenda, shaping its deliberations and mobilising the consensus needed to achieve agreement. To operate effectively, he must command confidence and respect, not just among trade uegotiators, but at the highest level of their governments.

Mr Renato Ruggiero needs to overcome two initial handicaps in the job. One is the manifest reluctance with which the US acquiesced in his appointment, after failing to come up with an alternative candidate it considered more acceptable. Washington has since gone some way to mend fences with Mr Ruggiero. It is important, for the sake of the WTO, that its largest and politically most influential member ensure that these gestures are translated into sustained support for the organisation's leader throughout his term.

Mr Ruggiero's second disadvantage derives from the energetic management of his campaign by Sir Leon Brittan, Europe's trade commissioner. As well doing much to turn the contest into a rancorous regional conflict, Sir Leon's ill-advised zeal has aroused suspicions that Mr Ruggiero is a champion of EU interests. The integrity of the WTO requires its new head to make clear beyond doubt that he owes Brussels no favours – and intends to give none.

However, Mr Ruggiero on his own has little power to mend the most serious damage from the dispute. This is the tension and mistrust it has engendered between the WTO's members, above all the US and EU. As the world's largest economic powers, they have a strong stake in – and responsibility for – the institution's success. The leadership wrangle has underlined vividly how far that objective depends on good transatlantic communications.

Beyond the deal set out yesterday, it is vital that Brussels and Washington set about repairing bilateral relations and strengthening their commitment to the WTO. They could usefully reaffirm that commitment by jointly backing an increase in the organisation's niggardly budget. At the very least, they have to work out a better way to choose Mr Ruggiero's eventual successor.

A bet on Ukraine

After years of delay, tha International Monetary Fund has in a matter of weeks carved a pivotal role for itself in the future of both Russian and Ukrainian economic reform. It is a high-risk strategy. But the benefits of a successful stabilisation programme for the countries' 200m inhabitants make it worth the gamble.

Representatives of the Group of Seven countries meeting in Paris today have a crucial opportunity to endorse the IMF's Ukrainian efforts, by agreeing on a $900m package to help fill the $5.5bn hole in the country's 1995 balance of payments. By the standards of past packages to belp east European reformers, $900m is a meagre price – relative to the size of the country – for supporting reformist president Leonid Kuchma.

Back in December, the US and several European countries ware wary of giving balance of payments financing, without the reassuring presence of the IMF. The Europeans, at least, are now more convinced. The remaining obstacle to a deal appears to be President Bill Clinton's reluctance to risk a congressional battla on the unpopular subject of additional foreign aid.

Mr Kuchma's determination, shown over the past six months, to implement reforms and stabilise the economy has not merely won the endorsement of the IMF, which will begin to disburse a $1.5bn IMF standby loan at the end of the month, if the balance of payments support is forthcoming. Under the IMF's auspices, Mr Kuchma has also won support from Russia, which agreed to restructure some $2.5bn of Ukraine's debts on Monday.

Mr Clinton should note that the successful rescbeduling of Ukraine's debts to Russia, despite the two countries' unresolved political differences over Ukraine'a Crimean peninsula, indicates that western involvement, when finely judged, can be a force for good in the region. Mr Michel Camdessus, head of the IMF, is owed credit for seeking to disentangle the fate of macro-economic reform from ongoing Crimean and other disputes.

Mr Clinton should also remember that the package the US needs to snpport will hardly secure Ukraine an easy ride. The IMF programme aims at lowering monthly inflation to 1 per cent by the end of 1995, down from the 21 per cent recorded in January. This means reducing the state budget deficit to a little over a third of its 1994 level, or 3.3 per cent of GDP. Mr Kuchma wishes to avoid drastic cuts in welfare programmes, but that means steep cuts elsewhere: particularly in politically sensitive agricultural and coal mining subsidies, and public sector wages. It is up to Mr Kuchma to deliver on his economic promises. But G7 support would give him a deserved opportunity to try.

Steeled for global action

Market growth and privatisation could prompt the development of worldwide steel companies, says **Andrew Baxter**

The good times are rolling again for the world steel industry, and for once there is more to look forward to than a few years of profits and flat-out production before the next recession arrives.

Steelmakers have their best opportunity ever to break out of the rut in which the industry has languished for the past 20 years. The end of state interference and the creation of a commercially driven, international or even global steel industry, are within sight.

The end of the recession in the industrialised countries is cause enough for celabration. After three years of decline, demand for steel products in tha 25 member countries of the Organisation for Economic Co-operation and Development (OECD) rose 6.8 per cent to 326m tonnes last year, and a further 2.5 per cent rise is expected this year.

Increased production in the main steel-consuming industries has stimulated demand in almost all the OECD countries. The main exception is Japan, though even here demand is forecast to rise this year. "We're in tha best steel market we've had for 20 years," says Mr Robert Darnall, chairman and chief executive of Inland Steel Industries, the fifth-largest US steelmaker.

There are two ways ahead for the industry, saya Mr Maarten van Veen, chairman of Hoogovens, the Dutch steelmaker. The first, which be calls *déjà vu*, would be a return to the old ways of the industry. These were characterised by steelmakers' refusing to look beyond national houndaries, sheltering behind trade barriers and state subsidies, viewing the global market as a threat, manufacturing standard products and "struggling on".

The second way forward, which be calls the "new era", would be to create an international steel market with free competition and fair conditions. Steelmakers would adopt a global approach, view their market as an opportunity and make "dedicated" products tailored to customers' needs. Rather than struggle, steelmakers would be vigorous into the next century, he says.

Mr van Veen naturally hopes the industry will have "the collective wisdom and foresight" to choose the second path. He also expects it to – optimism shared by other speakers at the recent inaogural Financial Times conference on the world steel industry, organised in association with CRU International, the London-based metals consultancy.

There are two factors encouraging this optimism. The first is the trend towards privatisation; the second is the changing nature of the steel market, together with the growing importance of developing countries.

In contrast to industries such as chemicals, there are no true multinational steel companies. Steel may be sold across world markets, but it is still produced and supplied largely by national companies.

Particularly in Europe, steel has been viewed by governments as "strategic", partly because of its importance in making arms and partly because it provided high levels of employment in steelmaking regions. A steel industry was viewed as a symbol of national virility, and to preserve it many governments took some or all of their steelmakers into state ownership.

But steel is no longer so important to defence because of the increasing importance of other materials, such as plastics and composite materials. And modern steel plants require far fewer employees than in the past.

As a result, political attitudes to steel are changing, avident in the trend towards privatisation. In 1986, more than half the steel capacity in the European Union was publicly owned. This will fall to between 20 per cent and 25 per cent once Usinor Sacilor of France and Ilva of Italy are privatised. The sala of Usinor, Europe's largest steelmaker, could go ahead this year, while this month Iri, the Italian state holding company, agreed the sale of Ilva Laminati Piani, the flat steel producer, to Riva, one of Italy's biggest private steelmakers.

Steel privatisations are also planned in Portugal and, outside the EU, in Turkey. Further afield, India is rapidly reducing its stake in Steel Authority of india (Sail), which accounts for 60 per cent of Indian steel prodnction. In Latin America, the Brazilian steel industry bas been entirely in private hands since 1993. As recently as 1988, the government owned about 70 per cent of Brazil's production capacity.

Privatisation has generally galvanised national steel industries, exposing steelmakers to market pressures, and freeing managements to take the decisions necessary to be competitive.

In Brazil, for example, the removal of the state from the decision-making process gave the sector a free hand to cut costs and raise productivity, says Mr Sylvio Nobrega Coutinho, president of Companhia Siderúrgica Nacional. CSN has cut its workforce from 19,100 in 1990 to 15,000, with tonnes of steel produced by each worker rising from 160 a year to 314 over tha same period.

In Europe, privatisation has been particularly welcome to the private steelmakers, which have suffered what they have seen as unfair competition from subsidised state producers. The private steel companies have tended to react more flexibly and thoroughly to market conditions, says Dr Ruprecht Vondran, president of the German Steel Federation. The private companies have increased output faster in times of expansion and been better able to survive recessions through cost-cutting.

Freed from the need to act as national champions, privatised European steelmakers ought also to be able to merge across borders. Ultimately, this should help reduce overcapacity and build bigger, more specialised – and hence more powerful – companies.

Some progress has been made, but Mr Francis Mer, Usinor's president, believes the European steel industry is still too fragmented compared with producers of competing materials such as glass or aluminium. It has a similar weakness in facing manufacturing industries that use its products, such as those making cars and home appliances.

The crucial test of whether governmants are willing to let the industry fend for itself will come when the market turns down again, perhaps in 1997 or 1998.

In Europe, at least, the omens do not look good. Late last year, the European Commission's two-year effort to organise a restructuring of the industry ended in partial failure. As the market bagan to recover, steelmakers failed to offer the capacity cuts seen by Brussels as the minimum necessary.

Mr Karel Van Miert, European competition commissioner, says an opportunity to find a long-term solution to the industry's overcapacity problem was missed. But he believes that, with continuing privatisation, there is unlikely to be any return to widespread state subsidies for steelmakers.

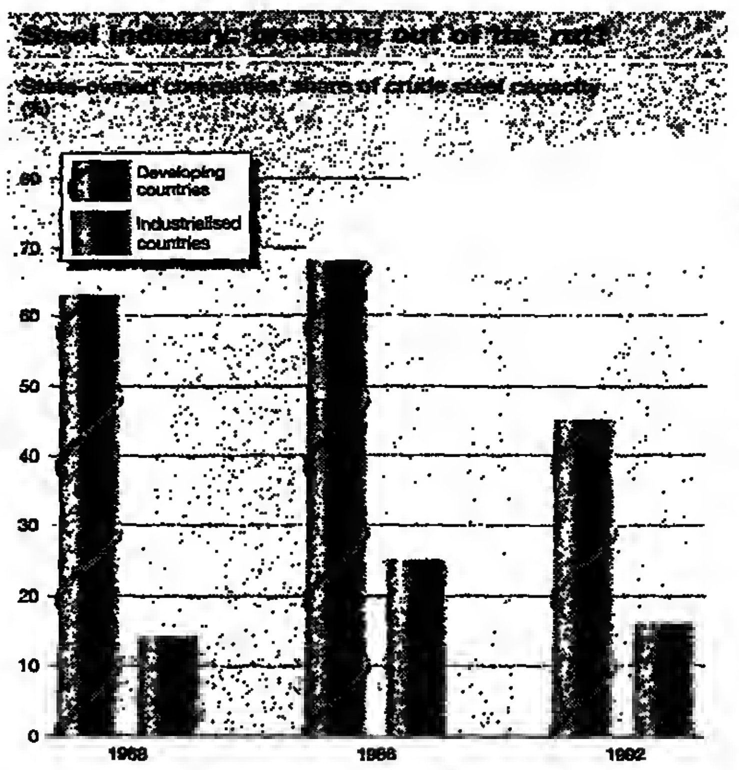
The second important influence is the growth of the steel market in the developing world which will force western steelmakers to step outside their national markets to exploit the new opportunities.

According to preliminary estimates by the International Iron and Steel Institute, China and other developing countries accounted for 223.1m of the 723.3m tonnes of crude steel produced worldwide last year. Their share of world output, 30 per cent compared with just 20 per cent in 1988, is expected to rise further because of high economic growth rates and relatively low per capita consumption of steel. China overtook the US last year to become the world's second largest producer, behind Japan.

The traditional approach of OECD producers to such markets has been to export from home-based facilities. But the transport costs will make them uncompetitive in these new markets, says Mr Brian Moffat, British Steel's chairman and chief executive. Instead, they need to make steel in the growth markets, via joint ventures and alliances.

Mr Moffat believes the outlook in developing countries gives western steelmakers an opportunity to "break out of the past structural rigidities". The more forward-looking steel companies are already building the partnerships to exploit these opportunities. Late last year, for example, British Steel, LTV Steel of the US and Japan's Sumitomo Metal Industries said tbey were forming a company, Trico Steel, that could become a vehicle for expansion in developing markets. According to one steel analyst it has the potential to be tbe world's first "global steel company".

Exploiting tbe developing markets will require the type of imaginative approacb to new markets many steelmakers have bitherto lacked, and a culture committed to making profits rather than making steel for the sake of it. As the state relinquishes its grip on the sector, privatised steelmakers can break free from their national straitjackets. And by chasing the world's growth prospects, they can at least partly insulate themselves from the market cycles in their traditional home markets.



Top steel producing countries
(m tonnes)

	1988	1989	1990	1991	1992	1993	1994*	Annual change in 1994 (%)
Japan	105.7	107.9	110.3	109.6	98.1	99.6	98.3	-1.3
China	59.4	61.6	66.3	71.0	80.9	88.7	91.5	3.2
US	90.7	88.8	89.7	79.7	84.3	88.8	88.9	0.2
Russia					67.0	58.3	48.8	-16.7
Germany	41.0	41.1	38.4	42.2	39.7	37.6	40.8	8.5
S. Korea	19.1	21.9	23.1	26.0	28.1	33.0	33.6	2.3
Italy	23.8	25.2	25.5	25.1	24.8	25.7	26.1	1.5
Brazil	24.7	25.1	20.6	22.6	23.9	25.2	25.7	1.9
Ukraine	56.4	54.6	52.6	45.0	41.8	32.4	23.9	-26.3
India	14.3	14.6	15.0	17.1	18.1	18.2	18.2	8.4
France	19.1	19.8	19.0	18.4	18.0	17.1	18.0	5.4
UK	19.0	18.7	17.8	16.5	16.2	16.6	17.4	4.4

Source: International Iron and Steel Institute * Provisional

A premature obituary

With increasingly global markets and lucrative prospects in developing countries, there is a bot debate in the steel industry over the most profitable form of prodnction technology.

The traditional integrated or "big steel" plants prodnce steel from iron ore in blast-furnaces and cast it into slabs, plates, coils or sections. They have been challenged in recent years by a new generation of "minimills", which turn scrap into steel by melting it in electric arc furnaces.

The first commercially successful minimills began operating only in tha 1960s, bnt the sector already accounts for about a third of world steel prodnction. At first, they really were small plants, designed to make hetween 150,000 and 300,000 tonnes annually of low to medinm-grade products nsed mainly in construction.

Now a minimill can prodnce 1m to 2.5m tonnes a year of high-quality steel. Using fast-developing technology, they can supply a wide range of customers, says Mr Robert Garvey, president of North Star Steel, the US minimill operator. They can now also supply special long products, plates and coils – items integrated prodocers once believed only they could make, says Mr Luigi Lucchini, chairman of Italy's Lucchini Group, a pioneer of the Italian minimill sector.

Mr Lucchini says minimills were ideal for new entrants to the industry, because of lower capital costs. But Mr Philip Tomlinson, director of CRU International's steel business unit, says the advantages of minimills are often overstated.

"On the one hand we are presented with a picture of the lean, efficient, environmentally-friendly technology of the future, entrepreneurially managed and of appropriate scale for the market's needs," he says. "On the other hand, the integrated producers are portrayed as the ancient dinosaurs, operating what is perceived to be an outdated, polluting technology, saddled with legacy costs, excess capacity and inappropriate work practices."

A lot of this rhetoric is of US origin, says Mr Tomlinson, and is focused on new technologies for continuously casting thin slabs for flat products. In Europe, though, integrated producers still dominate this market and minimills are concentrated mainly in less high-quality long products.

The surge in scrap prices over the past two years could undermine tbe competitiveness of minimill operators, he says, unless scrap substitutes or higher scrap recovery rates, come to the rescue.

Many integrated prodncers strongly contest tbe "dinosaur" tag. Britisb Steel, for example, is one of the world's lowest-cost steel prodncers, with four integrated steelworks. It has acbieved tbis partly through relentless prodnctivity improvements.

Yet the decline of the blast furnace will continne, says Dr Rod Beddows, chairman of Beddows & Co, the London-based consultancy. Environmental pressures, high capital costs and fixed-cost disadvantages of the blast furnace will reduce its importance in industrialised countries.

The same factors, along with the fragmentation of local markets and shortage of appropriate sites, mean steel producers in developing Asian countries will depend more on electric arc furnaces than their counterparts in the indnstrialised world, he says.

While it is too soon to write the obituary of the integrated producer, the minimill should satisfy mnch future demand for capacity.

OBSERVER

Sheep kill goats

■ It's proving a horrible 1995 so far for Pakistan's stockmarket punters. The Karachi market, Pakistan's largest, is down nearly a third over the past five months. Growing lawlessness on the streets of Karachi and worries about Pakistan's economic performance have resulted in Pakistan being the worst-performing stockmarket so far this year.

Adding insult to injury, the country's business community plans to go on strike next Saturday. In a move to stem the stockmarket decline, Pakistani stockbrokers have had to make some personal sacrifices. Last Sunday, 10 black goats were paraded around the trading floor of the Karachi Stock Exchange. They were then slaughtered as a sacrifice to Allah outside the KSE building. The meat was distributed to the poor.

The goats died in vain, it seems. The market fell on Monday and Tuesday and now stands at its lowest level in 16 months. Maybe they should have terminated some bears.

End of the line

■ They don't make merchant bankers like George Szpiro any more. Szpiro, who died last week at the age of 89, was the oldest chairman of a quoted company and one of very few bankers to emerge from the 1970s secondary banking crisis with his reputation intact.

Like many bankers of his generation, he came to England from Eastern Europe and joined the board of Wintex, a small textile company, in 1935.

Wintex grew into the Wintrust merchant bank and Szpiro has been chairman since 1939. When it was floated on the stock market in 1970 it had a net worth of £1.7m, a balance sheet of £5m and a staff of 27. Today it has assets of over £100m, a net worth of £30m and a staff of 24.

It has never made any acquisitions nor issued any paper. Szpiro was always more interested in the strength of his balance sheet than the size of his published profits. This unfashionable belief belps explain Wintrust's lowly stockmarket rating.

But it also belps explain why tiny Wintrust is still around long after the likes of London and County Securities have long since disappeared.

Richard Szpiro, 50, who now takes over from his father, promises that things will change. Pity.

Mistaken talk

■ A *mea culpa* from the world's most famous investor. Warren Buffett, the ageing sage of Omaha, Nebraska, doesn't always get it right – but then who does?

Buffett's latest annual letter to shareholders, full of its usual folksy wisdom, differs from past productions because it highlights the great man's biggest mistakes. As he says himself, it was a "vintage year". The silver medal goes to a decision at the end of 1993 to sell 10m shares in Capital Cities/ABC at $63 each. Within a year, they had risen to $85¼.

No question which was Buffett's golden bloomer. Five years ago he backed USAir. Buffett has just written down the investment to 25 cents on the dollar. The 71-year-old investor blames it on "sloppy analysis". He failed to realise that, after deregulation, high-cost airlines would be unabla to compete. Many more comments like that and Warren'a halo is going to need some urgent refurbishment.

Rueing the day

■ Don't read *Gold Foil* for the torrid sex scenes, hut Rupert Pennant-Rea's thriller, written in 1978 and dedicated to his parents, certainly represents a bizarre case of – well, art foreshadowing life.

The heroine of the book is Caroline Manning, a 29-year-old Harvard-educated Barbican dwelling journalist. With her "rich black hair swept back off her face, a style which owed much to the expensive attention of the Vidal Sassoon salon in Brook Street", she possesses beauty and brains and "usually succeeded in getting [what she wanted]".

Crucial in the chain of events that enables Manning to break her story that America and Russia are poised to go to war over South Africa's gold supply is her meeting with James Glendinning. A highflyer at the Bank of England, Glendinning, painfully sunburnt and ineptly posing as a BBC correspondent, meets her in a bar at Jo'burg's Carlton Hotel. He gets taken to bed – (very mild scene) – the first evening. "Buttoned up, that's your problem" is her affectionate analysis as she moves in for the kill.

Several involved twists later, Manning places her scoop in The Guardian while Glendinning realises his fate is sealed. He is named in the story, with his efforts to bring the primary gold market back to London detailed for all to see. As he steps off Concorde, the ghastly truth sinks in. "He'd been caught in the web and would shortly be eaten alive.

He'd have to leave the Bank, his career in ruins."

FT Tips

■ This purports to be a true story. A friend recently checked in late at a Dublin hotel and, on being asked whether she wanted anything delivered to her room the next morning, asked for the FT. The desk clerk replied: "Sorry – we have Earl Grey tea and Chinese tea, but not FT."

The Financial Times

100 years ago

The Indian Budget
The remainder of the excess over the estimates for the year 1894-95 can be traced to an increase in the railway earnings and the Excise receipts on the ona hand, and to economies in expenditure on the other. We bave then a small surplus, which will in all probability be realised, instead of a deficit for the year 1894-95. There has been a certain amount of luck in this, especially as regards the opium revenue, the increase in which could not possibly have been foreseen.

50 years ago

Flight of the lira
All the reports from Italy seem to suggest that the financial situation is drifting dangerously, alike in occupied and liberated territory. Prices have sky-rocketed and, on the black market, the value of the lira has lost considerable ground. Reports from Milanese sources state that the country has reached a condition of economic exhaustion owing to the war and to requisitioning. In the south, fiscal measures included the seizure of the property of high Fascist officials, while, in the north, new restrictions on private property are expected.

FINANCIAL TIMES
Wednesday March 22 1995

Italy's inflation nears 5% as mini-budget is passed

By Robert Graham in Rome

Italy's annual inflation rate is running at close to 5 per cent, double the official forecast for 1995. The rate reflects the impact of the lira's devaluation and tax increases already introduced as part of the Dini government's mini-budget.

According to preliminary figures released yesterday for nine leading cities, consumer prices have increased in March on average between 0.7 per cent and 0.8 per cent. This means that the annualised rate is about 4.9 per cent, compared with 4.3 per cent to February. The government is aiming for a rate of 2.5 per cent by the end of 1995.

The mini-budget proposed by Mr Lamberto Dini, the prime minister, completed its final parliamentary passage last night with a vote of confidence in the senate. However, the government has already introduced by decree a series of price increases, most notably on petrol.

These increases, plus rises in value added tax (VAT), are expected to add between 0.5 per cent and 0.8 per cent to inflation this year as a whole, but the government insists the effects will be most noted in the first half of the year and be fully absorbed by the end.

The official March figures are not due to be published by Istat, the official statistic institute, until the first week of April. But, traditionally, the variation between these and the preliminary statistics has been slight.

Confindustria, the industrialists' confederation, said the figures had already been discounted as a result of increases in indirect taxes, but warned: "We must now avoid this [increase in indirect taxes] restarting the inflationary spiral."

The foreign exchange markets yesterday showed they had anticipated a worsening of Italy's inflation. The lira, for the second day, continued a modest recovery from last Friday's dramatic 5 per cent decline to over L1,270 (73 cents) against the D-Mark. Yesterday, the lira was fixed at L1,222 against the German currency.

However, the main fear among economists now is that a mix of continued political uncertainty and weakness of the lira will encourage inflationary expectations. Mr Dini is well aware of this and is anxious to ensure that pension reform is quickly agreed by the government, the trades unions and parliament.

Dini slaps curbs on media during elections, Page 2

Bonn and Paris call on US to prop up the dollar

By David Buchan in Paris

France and Germany urged the US to take action to support the dollar, which fell to a new low against the Japanese yen in European trading yesterday.

After a regular meeting of the Franco-German economic and financial committee, Mr Hans Tietmeyer, the Bundesbank president, said that while the "dominant" indicator guiding the German central bank was the country's money supply, rather than the exchange rate, "we will see if we have some small margin to lower interest rates".

Such action would ease pressure on the franc which recently weakened to nearly FFr3.60 to the D-Mark. Mr Tietmeyer said he was "convinced that the franc will never hit its floor" with the European Monetary System of FFr3.89 to the D-Mark.

Meanwhile, the dollar fell to a fresh low against the Japanese yen in Europe but later strengthened. The dollar tumbled below the previous low of 88.65 yen, recorded on Monday, to 88.35 yen before recovering.

Germany backed France's call for the US to prop its currency up. Mr Günter Rexrodt, the German economy minister, who joined Mr Theo Waigel, the Bonn finance minister in Paris for yesterday's meeting, called on the US to take "all necessary measures" to support the dollar.

But Mr Edmond Alphandéry, France's economy minister, made clear that he was not suggesting an emergency meeting of the Group of Seven countries to discuss the dollar. He said that a G7 meeting planned for late April in Washington would suffice.

The French and German ministers and central bankers said their currencies' "present parity" – FFr3.55 to the mark at yesterday's close in Paris – "does not reflect the economic fundamentals".

On current policies, both countries would be ready for economic and monetary union "in time", according to the statement. It did not specify whether this would be in 1997 when a majority of the 15 European Union states will be needed for any currency merger, or the final Maastricht deadline of 1999.

The communiqué claimed that Germany already met the Maastricht criteria for Emu, while France "will have to pursue" its budget deficit reductions to do so. Both countries pledged to "oppose vigorously any attempt aimed at bending these criteria" by other EU states.

For his part, Mr Edouard Balladur, the French prime minister, said in an interview with the Tribune newspaper that, if elected president, he planned to get France's overall borrowing down to 3.8 per cent of GDP next year, and to the Maastricht guideline of 3 per cent by 1997.

THE LEX COLUMN

Bayer's cost headache

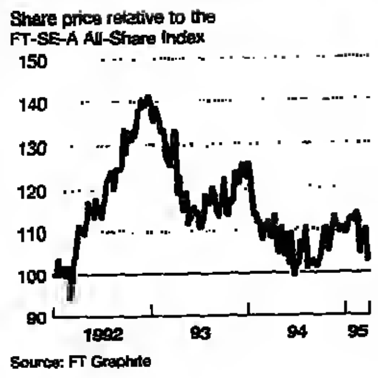
Bayer, the German chemicals group best known for Aspirin, is suffering a mighty headache. The pain is caused by its domestic manufacturing operations, hit by the high labour, environmental and tax costs of operating in Germany, compounded by the D-Mark's strength. Bayer has already responded by restructuring its fibres and dyes operations. Now, despite aggressive cost-cutting, it admits some of its chrome and intermediates businesses are at risk. In all, it may move 10 per cent of of its entire domestic production capacity to other countries.

Such difficulties afflict much of German industry. Rather than complaining to the politicians, Bayer is voting with its feet. Since 1991, the proportion of group investment made abroad has increased from 42 to 55 per cent. Most new capacity is being built in Asia. Given the manufacturing costs in the region, Bayer's goal of achieving operating margins of 10 per cent looks increasingly attainable.

However, the strategy is not without a price. Bayer's dividend is paid only from domestic earnings: that is so German shareholders can receive a tax credit, effectively increasing the dividend's value by 30 per cent. But as Bayer scales back its German operations, domestic earnings growth is likely to fall behind that of the whole group. Despite Bayer's huge cash flow, the dividend is already barely covered. Any slowdown in dividend growth could affect the shares' rating.

FT-SE Eurotrack 200: 1358.0 (+0.4)

BAT



Source: FT Graphite

Tobacco companies

It is an unlikely connection, but a judgment on a US haemophilia class action has lifted a heavy cloud from the tobacco industry. US cigarette manufacturers may have defeated hundreds of US legal actions over the decades. But there were inevitable concerns over a class action where lawyers were happy to talk of up to $100bn of potential costs. The decision to block a similar case by 10,000 haemophilia patients does not ensure this threat is over. But a favourable appeal by the likes of BAT Industries and Philip Morris is now far more likely.

That would not mean the end of legal concerns. Several US states are pushing to recover the costs of treating smoking-related illnesses. And even if the threat of class actions is eradicated, it will only take one maverick US judgment to push analysts back to calculating the risks to tobacco companies.

But the tide is turning for the industry. The Republican victories in last year's elections have diminished the likelihood of more punitive excise taxes on cigarettes. And yet the companies' share prices still carry enormous risk ratings. BAT Industries trades at an estimated 45 per cent yield premium to the UK stock market, and Philip Morris is closer to 60 per cent against the US market. The long-term outlook for cigarette sales in the western world is not inspiring, but these premiums look excessive, given the strong cash flows that are being channeled into building new markets, and supporting generous dividends.

Crédit Lyonnais

Yesterday's complaints by Crédit Lyonnais's main banking rivals over the terms of its rescue are spot on. The French government's financial engineering cannot disguise the fact that a FFr50bn ($10bn) hole in Crédit Lyonnais's balance sheet is being plugged with cash from SPBI, a state-backed entity. Paying FFr135bn for assets which are worth perhaps only FFr85bn is a subsidy however it is dressed up. True, Crédit Lyonnais faces penalties – in particular, it will receive a sub-market interest rate on the FFr135bn loan it is making to SPBI to finance the purchase of its own poor-quality assets. But given that interest on the loan will be 85 per cent of market rates after the first year, while the assets yield only 2 per cent, the subsidy is still large.

No amount of financial engineering can conjure up FFr50bn. But Crédit Lyonnais could be put under greater pressure to improve its future performance. One option, advocated by its rivals, is to reduce the interest rate Crédit Lyonnais receives on its loan to SPBI. That would cut the subsidy but also knock the bank's profits, so giving it a stronger incentive to extract value from its remaining business.

The chances of such an approach being adopted are slim. With the French presidential election looming, the government will not want to tinker with a package that has been painstakingly put together. The European Commission also appears to have given its informal approval. But before giving its final approval, the Commission should insist that the subsidy is kept to a minimum.

Bank of England

The Bank of England has done much to enhance its credibility in recent years. Mr Rupert Pennant-Rea's resignation as deputy governor is unlikely to prove more than a temporary setback. Though he supported and helped implement reforms at the bank, their principal author is the governor, Mr Eddie George.

The biggest change has been the Bank's pre-emptive strike against inflation. Financial markets are still reluctant to give Mr George full credit for his "stitch in time saves nine" policy of raising interest rates before inflation becomes ingrained. But credibility is growing. Market expectations of the extent to which interest rates will need to rise have been sharply scaled back since the start of the year.

The verdict on the bank's other main task – banking supervision – is more open. Mr George and Mr Pennant-Rea have rightly been applauded for not bailing out Barings with taxpayers' money, in what marked a break with previous practice. But it remains to be seen whether the bank failed to supervise Barings adequately in the first place.

Mr Pennant-Rea's resignation would only cause the bank long-term damage if it concluded that there was now no point in hiring outsiders. Most institutions – and especially slightly stuffy ones like the Bank of England – benefit from outside blood. Mr Pennant-Rea fulfilled a useful role in challenging received wisdom. It would be a mistake to appoint his replacement from within the bank's ranks without first searching further afield.

See additional Lex comment on Prudential, Page 22

Bank of England

Continued from Page 1

to resign. However, they said that, following the publication by the Sunday Mirror newspaper of details of the affair last weekend, they felt his position had become untenable.

The governor, Mr Eddie George, said he understood why his deputy felt he had to quit. "I greatly respect his determination to minimise any damage to the bank," he said.

Mr George said that Mr Pennant-Rea had made "an immense contribution to our policy work and in particular has brought an outsider's perspective to the administration of the bank".

His main legacy is likely to be the biggest management restructuring since 1980, which has seen the bank reorganised into two main wings – one responsible for monetary policy and the pursuit of low inflation, the other responsible for banking supervision and surveillance of the financial markets.

A former colleague at the bank said: "He came in with the express intention of blowing away some of the cobwebs in the place."

Mr Pennant-Rea's appointment to the bank was a break with tradition because his previous job was editor of The Economist magazine, rather than being a bank official or City of London banker.

UK Tories set to win crucial farms vote

By Kevin Brown in London

The UK government was last night poised to restore its technical majority in the House of Commons as MPs prepared to back the cabinet's approach to reform of the European Union's common agricultural policy.

Ministers expected to win a healthy majority in a crucial vote on how farm subsidies are distributed in the EU, in spite of a determined attempt by Labour to tempt Eurosceptic Conservatives to vote for an amendment criticising the government.

Three of the nine Eurosceptic MPs excluded from the Conservative parliamentary party were expected to vote with the government, prompting a likely invitation from Mr John Major, the prime minister, to rejoin the Tory ranks.

The other six rebels were expected to abstain, along with the nine Ulster Unionist party MPs. A handful of other Tory Eurosceptic MPs said they would make up their minds during the debate, but ware expected to support the government.

The restoration of the Tory whip to three of the rebels, who had it withdrawn in December last year after they defied ministers in a key debate, would give the government a majority of one compared with a minority of five before last night's vote.

The government will probably slip back into a minority following two by-elections – not likely before June – for vacant seats, which are expected to be won by opposition parties.

However, overtures to the remaining rebels are unlikely in the short term. "Most of them don't want to come back. They are quite happy as they are, so what is the point of grovelling to them," a senior minister said.

Tory divisions on Europe will be highlighted today when Eurosceptic MPs pack a normally obscure committee to attack plans for uniform external frontier controls, including a common visa requirement for non-EU citizens.

In a highly unusual move, Mr Michael Howard, UK home secretary, is expected to address the committee to head off a threatened revolt by Eurosceptic Tories who want the issue referred to the floor of the Commons for a full debate.

Mr Jack Straw, the main opposition Labour party's home affairs spokesman, tabled two amendments to last night's vote in an attempt to maximise Eurosceptic support. But Labour MPs expected the move to fail.

Mr Tony Blair, Labour party leader, yesterday said the Conservatives were "divided, ill-disciplined and lacking in any sense of purpose or direction".

Fiat man set to lead world trade body

Continued from Page 1

ers, under WTO rules the final decision requires a consensus of all 128 countries entitled to vote. A final decision on appointing Mr Ruggiero has to be taken by a formal meeting of the WTO General Council and under the organisation's consensus rules, any country could block it.

In Geneva diplomats reacted with relief yesterday to the news that the contest was over.

Mr Ruggiero, whose career spans government, diplomacy and business, is seen as committed to free trade and the need to defend the interests of all WTO members.

However, many trade officials are unhappy about having Mr Kim foisted on them as a fourth deputy. African countries complained yesterday that the creation of a new deputy post for Mr Kim would further marginalise their continent in the WTO and made clear they would expect some compensating move.

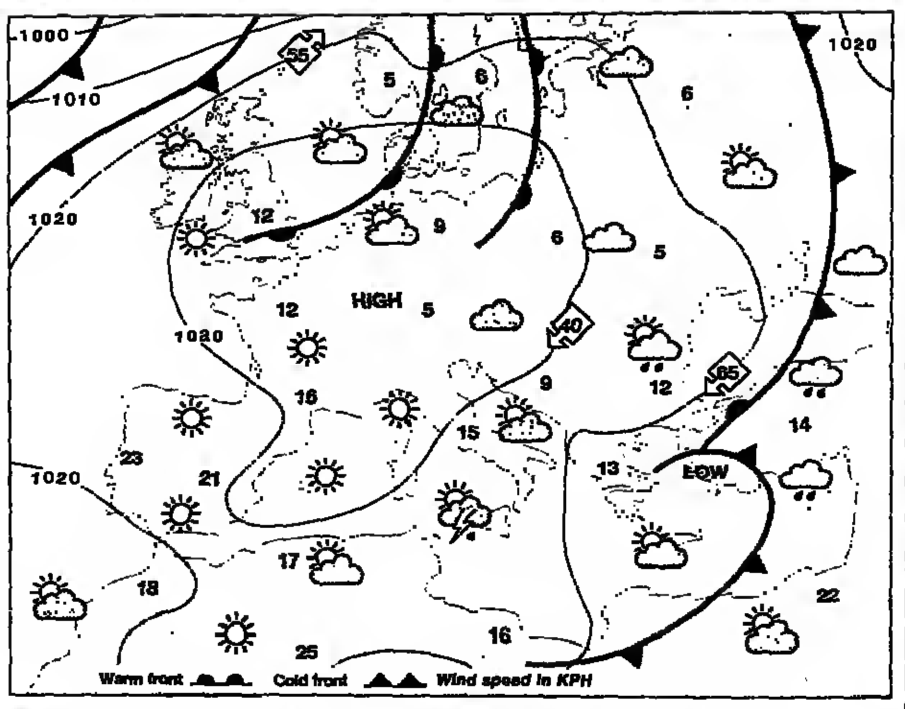
FT WEATHER GUIDE

Europe today

A strong high pressure system over Germany and the Benelux will bring bright and dry conditions to most of western Europe but it will still be cool from Belgium to France. Southern Spain will be Europe's warmest spot with afternoon temperatures near 25C. Central Europe will be dry but cool with temperatures only between 10C-14C even into northern Italy. It will stay cool north-east of the Alps and it will remain cloudy east of Germany. Eastern Europe will, in general, be unseasonably cold and cloudy with heavy rain in Turkey and Greece. Warm and moist air will surge across northern Scotland causing a rapid rise in freezing levels and heavy rain. Scattered thunder showers will affect the eastern Mediterranean.

Five-day forecast

Western Europe will have a lot of sun and will become warmer. The warming trend will reach eastern Europe on Friday. During the weekend, unsettled conditions and cooler temperatures will return from the northern Atlantic. The eastern Mediterranean will remain unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	29
Accra	shower	32
Algiers	sun	16
Amsterdam	sun	9
Athens	shower	13
Atlanta	fair	27
B. Aires	sun	31
B.ham	sun	12
Bangkok	fair	34
Barcelona	sun	16
Beijing	fair	16
Belfast	sun	12
Belgrade	cloudy	9
Berlin	sun	8
Bermuda	shower	22
Bogota	fair	21
Bombay	sun	32
Brussels	sun	11
Budapest	cloudy	7
C.hagen	fair	7
Cairo	sun	22
Cape Town	sun	26
Caracas	cloudy	29
Cardiff	sun	11
Casablanca	cloudy	23
Chicago	shower	10
Cologne	sun	10
Dakar	fair	24
Dallas	fair	28
Delhi	fair	33
Dubai	fair	30
Dublin	fair	13
Dubrovnik	sun	12
Edinburgh	fair	13
Faro	sun	20
Frankfurt	sun	9
Geneva	sun	8
Gibraltar	sun	17
Glasgow	sun	13
Hamburg	sun	9
Helsinki	cloudy	3
Hong Kong	fair	22
Honolulu	fair	28
Istanbul	shower	10
Jakarta	cloudy	31
Jersey	sun	11
Karachi	cloudy	33
Kuwait	cloudy	21
L. Angeles	fair	19
Las Palmas	cloudy	23
Lima	fair	28
Lisbon	sun	22
London	sun	13
Lux.bourg	sun	8
Lyon	sun	11
Madeira	cloudy	22
Madrid	sun	21
Majorca	sun	17
Malta	fair	15
Manchester	sun	12
Manila	fair	32
Melbourne	fair	23
Mexico City	sun	23
Miami	fair	28
Milan	fair	15
Montreal	sleet	6
Moscow	shower	6
Munich	fair	4
Nairobi	fair	30
Naples	fair	12
Nassau	fair	27
New York	fair	14
Nice	fair	15
Nicosia	fair	23
Oslo	fair	7
Paris	sun	12
Perth	sun	32
Prague	fair	6
Rangoon	sun	36
Reykjavik	shower	5
Rio	shower	29
Rome	sun	14
S. Frsco	rain	12
Seoul	shower	15
Singapore	shower	32
Stockholm	fair	6
Strasbourg	sun	7
Sydney	sun	27
Tangier	fair	21
Tel Aviv	fair	24
Tokyo	rain	14
Toronto	fair	10
Vancouver	rain	10
Venice	fair	13
Vienna	fair	6
Warsaw	fair	5
Washington	fair	17
Wellington	fair	19
Winnipeg	rain	5
Zurich	fair	4

FINANCIAL TIMES
COMPANIES & MARKETS

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IN BRIEF

Bull poised for two-stage sell-off

Motorola of the US and NEC of Japan are looking to build stakes of 17 per cent in Groupe Bull, paving the way for a two-stage privatisation for the French state-controlled computer company. Page 16

Profits soar at new-look Incentive
Incentive, the diversified Swedish industrial concern controlled by the Wallenberg family, announced a leap in profits for 1994, to SKr2.08bn ($284m) from SKr291m in 1993. Page 16

Stet to seek New York listing in June
Stet, Italy's state-controlled telecommunications holding company, will seek a listing on the New York Stock Exchange in June, according to Mr Ernesto Pascale, the group's managing director. Page 16

Newsprint producers bend rules
The tight global newsprint market has increased pressure on North American publishers and local governments to turn a blind eye to environmental rules on the use of recycled material. Page 18

Brazilian chemicals group plans expansion
Brazil's Rhodia-Ster, a recently-formed joint venture controlled by Rhône-Poulenc, the French chemicals and pharmaceuticals group, said it would invest $466m in expanding its production of polyester-based products in the next four years. Page 19

Bank of Baroda plans Rs10bn share issue
Bank of Baroda, India's second largest bank, plans to raise about Rs10bn ($317m) through a share issue later this year that will reduce the government's stake to 64 per cent from 100 per cent. Page 20

Hopewell cuts dividend 44%
Hopewell Holdings, the flagship company of Mr Gordon Wu, the Hong Kong-based entrepreneur, surprised the market when it announced a 44 per cent cut in its interim dividend to after a 19 per cent fall in net profits to HK$1.25bn ($162m) from HK$1.54bn. Page 20

Romania returns to capital markets
After a self-imposed exile of 15 years, Romania is returning to the international capital market with a syndicated loan of $75m. The one-year loan, which is being arranged by Citibank, marks a step in the country's quest to become a free-market economy. Page 24

Bowater profits rise 6% to £226m
Bowater, the printing and packaging group, beat off the effects of sharply higher raw material costs to increase pre-tax profits last year by 6 per cent to £226m. Page 22

Halifax in subordinated debt move
Halifax Building Society may issue a large tranche of subordinated debt to bolster its capital base in the flotation which is due to follow its merger with Leeds Permanent. Page 22

Vinten makes £70.6m German buy
Vinten, the international manufacturer of broadcast and surveillance products, strengthened its grip on the broadcast equipment market, paying £70.6m ($115.7m) for the German group Sachtler. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	980	+	12
Falls			
Asko	555	-	10
Bil & Berg	639	-	12
Goldschmidt	790	-	25
Holzmann	680	-	35
Rosenthal	190	-	6.5
NEW YORK ($)			
Rises			
H Packard	123½	+	2⅛
Kmart	12¼	+	1
Loral	44½	+	1¾
Micron Tech	78	+	2¼
Falls			
Airborne Frght	19⅝	-	1½
Noranda	35¾	-	6
LONDON (Pence)			
Rises			
Amersham Int	869	+	34
BAT Inds	431	+	15
Nurdin & Pea	170	+	12
Falls			
Arjo Wiggins	248	-	10
Daniels S	39	-	5
Prudential	322	-	10½
TORONTO (C$)			
Rises			
Inter Poly	26	+	1½
Plaintree	14½	+	1½
Terra Inds	16	+	1
Falls			
Hemlo Gld A	10	-	½
Major Drilling	8	-	¼
Softkey SW	37	-	2
PARIS (FFr)			
Rises			
Gen des Eaux	481	+	12.5
Euro RSCG	480	+	15
Soc General	530	+	11
Falls			
Bouygues	526	-	16
Cred Lyon	217.5	-	19.3
Fonc Lyon	555	-	25
HONG KONG (HK$)			
Rises			
B&B Asia	2.075	+	0.78
JCG Hldgs	4.425	+	0.25
Union Bnk	8.2	+	0.30
Falls			
Nat Mu W95	2.15	-	0.25
Sino Lnd W95	2.95	-	0.23
Swank Intl	0.88	-	0.11
BANGKOK (Baht)			
Rises			
Interlife	83.0	+	7.0
Khoom Khao	57.5	+	5.0
Muramoto A	140.0	+	12.0
Falls			
Sugait W	9.1	-	2.65
Thai Mil Drm	39.0	-	3.25
White Grp	53.0	-	3.0

Tokyo closed. New York and Toronto prices at 12.30pm.

Crédit Lyonnais rivals hit at rescue

Row cuts through French banking over criticisms of 'anti-competitive' plan

By Andrew Jack in Paris

A row broke out last night in the French banking industry over the rescue plan for Crédit Lyonnais, the loss-making state-controlled bank, as two of its competitors criticised the package. They met a stinging riposte from Crédit Lyonnais' chairman.

Banque Nationale de Paris and Société Generale released a three-page statement raising questions about the competitive consequences of the state-backed rescue for Crédit Lyonnais unveiled last Friday.

However, Mr Jean Peyrelevade, chairman of Crédit Lyonnais, demanded to know "what kind of responsibility would lead two big banks to do everything to hamper the recovery of a third – even though they claim this to be necessary – to the clearest detriment of the Paris financial community?".

He went on to complain that if the banks felt they had to speak out, they should have done so earlier "when the damage [to Crédit Lyonnais by its previous management] was effectively done".

Under the rescue plan, Crédit Lyonnais would be allowed to remove FFr135bn ($27bn) in net assets from its balance sheet, and repay any losses as these are sold during the next 20 years, through a structure guaranteed by the French state.

BNP and SocGen expressed doubts yesterday about the final losses – which the state has estimated at up to FFr50bn – and whether there were hidden debts which had not yet been uncovered.

They argued that there was an imbalance between the expenditure and the income of the bank under the financial restructuring agreement which could "gravely" damage competition.

They also questioned what would happen to the structure if Crédit Lyonnais was privatised before the end of the 20 years through which the plan is designed to operate.

They added that the sale of the assets removed from the balance sheet should be managed by an independent organisation rather than Crédit Lyonnais.

Finally, they questioned the limits of the guarantee provided by the French state, and the justice of waiving the bank's considerable accumulated fiscal deficits.

It also emerged yesterday that Thomson-CSF, the French industrial group which holds nearly 22 per cent of Crédit Lyonnais, will be able to write back about half of the provisions it was forced to make last year when the state required it to provide a FFr1.8bn guarantee as part of a first restructuring agreed for the bank.

Thomson-CSF confirmed it would write off the remainder of this figure during the full 20 years of the plan, rather than the five-year timescale envisaged last year. Thomson-CSF said it would make a loss for 1994 of half the previous year's losses, or about FFr1.2bn. This figure comes after the write-back of provisions, offset by some FFr2.6bn, which represents its share of Crédit Lyonnais' 1994 loss of FFr12bn.

Lex, Page 14

UK life insurer changes stance on compensation

Prudential names new chief executive

By Alison Smith in London

Prudential Corporation, the UK's largest life insurer, yesterday named Mr Peter Davis as its new chief executive and said that it had set aside provisions for possible compensation to victims of poor pensions advice.

The pensions move contrasts with its previous stance. Last year, unlike several other life companies, it said it did not need to make specific provisions against possible compensation claims.

The change was seen as a reflection of a less abrasive stance at the Pru following the appointment of Mr Davis, 53-year-old former chief executive of media group Reed Elsevier, to succeed Mr Mick Newmarch who resigned abruptly in January.

The shift in tone was also underlined by news that the Pru is to end its executive share option scheme, replacing it with a plan where the company matches shares purchased by employees using a cash bonus. In addition, after an initial two years, Mr Davis will be on a one-year rolling contract, compared with Mr Newmarch's three-year rolling term.

Mr Davis, who joined Prudential as a non-executive director last summer, said one of his first tasks was "to settle things down". "Mick was a strong and charismatic leader," he said, "and when someone leaves unexpectedly it unsettles people."

Tony Andrews

Peter Davis hopes "to settle things down"

The Pru did not reveal the extent of the pension provisions, saying that they were "not material." But it said they included £20m ($32.8m) for the cost of identifying potential victims, and that they were lower than its 10 per cent share of the personal pensions market would suggest.

Sir Brian Corby, chairman, said it was not a question of a "climbdown" by the Pru but more information was now available about what regulators were requiring life companies to do over pension compensation.

He said the company still believed it did not have a significant problem, as for some years it had advised people against opting out of occupational schemes, but that it would be contacting all its 600,000 pensions policy-holders.

The group announced 1994 results towards the lower end of analysts' expectations. Pre-tax profits rose just 2 per cent to £603m, but Sir Brian said confidence about the future underlay a 9 per cent rise in the total dividend to 14.4p. The shares closed the day 10.5p down at 322p.

Lex, Page 14

Antonini bows to shareholders and quits Kmart

By Richard Tomkins in New York

Mr Joseph Antonini has quit as president and chief executive of Kmart, the ailing US discount store group, leaving a void at the top of the company.

Amid growing shareholder anger over Kmart's dismal financial performance, he agreed to go during a telephone conference with the board on Monday evening.

The news was greeted warmly by Kmart's shareholders, who have seen eight consecutive quarters of deteriorating results. The company's shares initially shot up 12 per cent from $11⅞ to $13¾, but eased to $12⅞ by noon.

Mr Donald Perkins, non-executive chairman, said the board would start an immediate search for a new chief executive. Mr Anthony Palizzi, Kmart's 52-year-old general counsel, will serve as interim president and Mr Ronald Floto, the 52-year-old head of Kmart's Super Kmart Centers, will serve as interim chairman of the management executive committee.

Mr Antonini is the latest in a list of executives to have lost their jobs at the top of big US corporations amid shareholder dissatisfaction. Others have included the heads of IBM, Westinghouse Electric, American Express, General Motors and Eastman Kodak.

For months Mr Antonini, 53, had clung on to office, defying mounting pressure for his resignation as the company plunged deeper into trouble. At the beginning of this year his days appeared to be numbered when the board stripped him of the chairmanship and gave it to Mr Perkins, an outside director.

His resignation follows the publication three weeks ago of the company's lower-than-expected profits of $145m for the quarter to January. As in previous quarters, Kmart had to sell many goods at marked-down prices because it was stocking items that customers did not want to buy.

Mr Antonini was appointed chief executive in 1987 when Kmart was already beginning to lose the battle against Wal-Mart Stores, now its bigger and more successful rival, and other US discount store groups.

Kmart tried to fight back by diversifying and buying or setting up the PayLess Drug Stores chain, the Waldenbooks and Borders book stores, the Sports Authority sporting goods shops, the Builders Square home improvement stores and the OfficeMax office supplies chain. However, these operations failed to deliver the expected profits; and as the group's financial performance deteriorated, shareholders clamoured for the specialty retailers to be sold off so that Kmart could concentrate on improving the core discount stores.

Mr Antonini offered a partial spin-off of the retailers, but he suffered a humiliating defeat at last June's annual meeting when shareholders threw out his plan and demanded a total sell-off.

Bayer looks abroad to ease pricing pressures

By Jenny Luesby in Leverkusen

Bayer, the German chemical group, said it may be forced to move 10 per cent of its production capacity to other countries because of higher energy prices, taxes and labour costs.

Presenting the company's annual results, Mr Manfred Schneider, chairman, said these mounting structural problems were jeopardising Bayer's international competitiveness. Bayer had already decided to concentrate research and development activities outside Germany, he said.

An "especially negative development" was the government's decision to cut drug prices, which to effect meant that "in Germany patent protection now only exists on paper".

The group's pre-tax profits rose 40 per cent to DM3.3bn ($2.35bn), on sales of DM43.4bn, up from DM41bn. But operating margins were only 7.5 per cent. Bayer hoped to lift margins to 10 per cent by 1996.

The company was also concerned about the Agfa imaging business. Rising silver prices and competition from the market leaders, Kodak and Fuji, had produced a return on sales of just 3 per cent on a static turnover, despite restructuring.

Mr Schneider said the business did not complement Bayer's other activities, and could be developed more fruitfully as part of Kodak or Fuji, but this was hypothetical, as "no buyer exists".

"Without a buyer, we must at least try to improve the profit on this business," he said, "although if prices continue to slump, it will all be over".

Bayer forecast earnings growth of 15 per cent this year, on a 5 per cent increase in sales, but this was based on price assumptions which might not be fulfilled, said Mr Schneider. The company was looking for a minimum 2 per cent increase in overall prices, just to restore the price losses recorded last year.

The latest German payround was set to cost Bayer AG, the parent company, DM150m, and environmental regulations were also taking their toll. The group plans to cut its workforce in Germany by 1,800 this year.

Bayer said it had shifted to international accounting standards "to reach a compromise" with the SEC on a New York Stock Exchange listing. It hoped listing would proceed within the next one to two years.

Lex, Page 14; Details, Page 16

Barry Riley

Beholders of gold reassert its value

My dismissal of gold as a mere commodity two weeks ago has provoked the ire of several North American correspondents. Without retracting what I said then, it is interesting to air some of the counter arguments.

The gold debate is very much alive in the US. You can be dismissive about it, like Andrew Smith, commodities analyst at UBS in London; he accuses US gold newsletters of "flourishing on Middle America's nostalgia/paranoia". But the price fluctuations of natural resources are much more closely followed in the US than in, say, Europe where attempts are made to control output and prices (and even currency exchange rates). Middle America's scepticism about man-made prices and man-made currencies is not unreasonable.

First, gold as an inflation hedge. Martin Armstrong of Princeton Economics says that the connection between gold and inflation has been misinterpreted. Although the rise in the gold price during the inflationary 1970s is fresh in the memory, in the long term gold has usually tended to ignore modest levels of inflation.

In fact, the strongest surges in the bullion price have usually taken place when confidence in governments has collapsed. In those conditions, if economic depression is triggered, inflation may well fall.

Essentially, according to Mr Armstrong, gold responds to a crisis in financial debt structures. An example was in the 1930s, when gold rose against all main currencies although the general economic climate was highly deflationary.

Secondly, what about gold's reputation as a late cycle winner? Robert Hoye, who writes a newsletter called Quantum out of Vancouver, has researched market cycles going back more than two centuries. He says that on the basis of past patterns gold's moment is fast approaching.

A decline in the real value of gold during economic expansions has been normal. During such periods speculation focuses on paper – bonds and stocks – and base metals. Gold hit a low point of less than $350 an ounce in late 1993 just as the US Treasury bond market was peaking.

> A fall in the real value of gold during economic expansions has been normal

The next stage, Mr Hoye thinks, will be financial and economic contraction which will drain resources out of the securities markets. There will then be a surge of investment demand for gold which will overwhelm the attempts of central banks to hold it down.

Of course, from the strictly Canadian point of view, gold is already in a bull market having risen from just over C$400 two years ago to about C$540 recently.

The link between bullion price strength and threatened structural financial weakness is clear from the Canadian experience.

You need to have a fairly apocalyptic view, however. We are certainly not short of currency scares at present, in the Mexican peso and the Italian lira, but gold has failed to benefit so far in terms of the main currencies. There is a sharp contrast with the time of the last Mexican scare in 1982 when the bullion price rapidly backed up from $300 to $500 on fears for the solvency of big New York banks.

This time the panic money appears to have been pushing up the US bond and stock markets instead. The banks are little involved. On the other hand the financial pressures on the US Treasury and the dollar are much greater, and the US government has felt obliged to intervene directly in the Mexican crisis.

Martin Armstrong sees a financial crisis looming as too many governments borrow too much, and are driven to finance their debts in the short-term markets, which is inviting a sudden, Mexican-style loss of confidence. Gold could rise strongly in 1996 and reach a peak in 1998.

As Andrew Smith says, the rationale for a sharp rise in the price of gold would be the need for major countries to improve the gold backing of their discredited currencies. At present gold reserves cover less than 7 per cent of narrowly-defined money in the top 10 gold-holding countries. However, he dismisses such a return to the Gold Standard as a fantasy, and I agree. The coming defaults in several advanced economies should be seen as representing a purging of the international monetary system rather than foreshadowing its collapse. But hold on to your hats.

Bull poised for two-stage sell-off

By David Buchan in Paris

Motorola of the US and NEC of Japan are looking to build stakes of 17 per cent in Groupe Bull, paving the way for a two-stage privatisation for the French state-controlled computer company.

The government had originally hoped to bring the 93 per cent public stake in Bull – 76 per cent held by the state and a further 17 per cent owned by France Telecom – down to a minority in a single operation.

The European Commission is insisting on privatisation by the end of the year as its condition for approving the FFr11bn ($2.2bn) in state aid given to Bull in 1993-94. In order to try to bring big industrial partners into Bull, the government had solicited bids of 10 per cent or more.

However, when last week's deadline closed for bids, only two offers met this condition. NEC, which already holds 3.7 per cent of Bull, announced it was looking to enlarge its stake to 17 per cent; yesterday it emerged that Motorola was the only other bidder of the same scale.

Two other companies – IBM, which has 1.8 per cent of Bull, and IPC of Singapore – indicated they were only interested in smaller stakes.

However, government officials believe that NEC and Motorola are big enough as partners and have activities that complement those of Bull to make a first-stage "opening of [Bull's] capital" feasible.

It was suggested last night that smaller investors like IBM and IPC, and any others, could be brought into the company in a second-stage operation after the presidential elections in May.

A condition of the bidding procedure was that only those bidding for 10 per cent or more of the company were allowed full access to the computer group's books.

This condition would have to be relaxed in any second-stage operation to allow IBM and IPC to make firm offers.

Mr Jean-Marie Descarpentries, Bull chairman, forecast a net profit this year, after the group turned its FFr1.89bn operating loss of 1993 into a FFr237m operating profit last year.

After provisions, the net loss was cut to FFr1.96bn last year from FFr5.1bn in 1993.

Mixed fortunes for French insurers

By David Buchan

Assurances Générales de France, the French state-owned insurer due to be privatised this year, yesterday reported a drop in net profits in 1994 to FFr880m ($161m), while Union des Assurances de Paris, privatised last year, said net profits rose 10 per cent in 1994 to FFr1.56bn.

UAP said it had increased profits in spite of an extra FFr4.4bn in provisions to cover property loans and sluggish activity.

Turnover rose to FFr151.6bn, up 7.2 per cent but only 2.9 per cent without taking account of acquisitions.

This was largely due to a downturn in activity in the UK life insurance market which led to a 16 per cent drop in the turnover of Sun Life, its UK subsidiary.

Mr Jacques Friedmann, UAP president, hailed the profit increase, which he said had been achieved, in spite of the fact that UAP had faced "unfavourable financial market conditions and the deepening of the property crisis in France".

At AGF, consolidated premium income rose to FFr69.5bn, up 6.4 per cent (or 2.3 per cent discounting the effect of acquisitions). Gross profits rose to FFr1.7bn last year from FFr1.44bn in 1993, but after depreciation net profit fell to FFr880m last year from FFr977m in 1993.

AGF encountered difficulty last year abroad, where gross profits from life insurance fell to FFr674m, from FFr1.66bn in 1993. In non-life insurance, the group fell to a FFr122m loss compared with a FFr791m gain in the previous year.

Bank-related and financial activities produced reduced losses to FFr708m, from FFr2.4bn the year before. This was largely due to the problems at the Comptoir des Entrepreneurs property business.

This business is now under the management control of AGF, which pledged to turn it around, following a government-supported rescue.

By contrast, AGF did better in its core insurance activity abroad, writing a total of FFr30.2bn of international business and earning the group a total of FFr209m gross. AGF said its one-third stake in Aachener and Münchener, the German insurance group, accounted for a large portion of this profit.

AGF was scheduled for privatisation by the end of last year, but is still hoping for a sufficient recovery in the bond and equity markets to be floated after the May presidential election.

New-look Incentive lifts profits to SKr2bn

By Hugh Carnegy in Stockholm

Incentive, the diversified Swedish industrial concern controlled by the Wallenberg family, yesterday announced a leap in profits for 1994, a year in which the group's structure was transformed through acquisitions and divestments.

Profits after financial items – and excluding contributions from non-consolidated associates – jumped to SKr2.08bn ($284m) from SKr291m in 1993.

Including contributions from associates, pre-tax profits reached SKr3.8bn compared with SKr966m in 1993. The chief contributions were SKr1.3bn from Incentive's share in Asea, the Wallenberg-controlled part-owner of the Swiss-Swedish engineering group Asea Brown Boveri, and SKr327m from a minority holding in Electrolux, the household appliances group.

Mr Mikael Lilius, chief executive, said he expected earnings to improve further this year. However, the annual dividend was raised by only SKr1 a share, to SKr8.

Incentive is the industrial operating sister company to Investor, the Wallenbergs' main blue-chip investment vehicle. Incentive underwent extensive restructuring last year, the feature of which was the acquisition of Gambro, a medical equipment specialist. Incentive acquired Gambro by buying the company's former parent, Cardo, from Volvo. It has since sold off or re-floated the remainder of the parent.

Incentive also bought MacGregor-Navire, the world's leading supplier of shipboard cargo handling equipment, and sold a number of subsidiary interests, including its controlling stake in Esab, the big welding equipment group, to Charter of the UK.

The group now operates six divisions: medical technology, transportation, environmental equipment, materials handling, power generation, and a so-called development division which includes Hasselblad cameras.

The restructuring lifted group sales in 1994 to SKr18.4bn from SKr12.3bn, with international operations now accounting for 80 per cent. Profits were boosted by one-off capital gains of SKr900m from divestments. However, Incentive reported increased operating profits for all six divisions, with all but one – medical technology – increasing operating margins.

In spite of all the activity, net debt was driven down to SKr6.7bn from SKr12.2bn, and the equity-to-assets ratio rose to 50 per cent from 40 per cent. Mr Lilius said the emphasis would now shift from "a period of restructuring to a period of building".

He said there were no plans for Incentive to shift its Asea and Electrolux holdings.

Loss sparks resignation offers at Italian bank

By Andrew Hill in Milan

The chairman, deputy chairman and six directors of Banco di Napoli, the troubled Italian bank, have agreed to resign following a record loss of L995bn ($574m) for 1994.

Shareholders of the Naples bank, one of Italy's largest, will decide at a meeting at the end of next month whether to accept the resignations or replace the board.

Only one board member, Mr Giovanni Somogyi, has refused to step down.

Mr Luigi Coccioli, chairman, announced the biggest loss in the bank's 450-year history last Tuesday, five months after predicting the institution would recover from the heavy first-half deficit.

The Italian treasury has agreed to step in with a capital injection and a transfer of assets to shore up the bank.

At a meeting on Monday evening, Mr Coccioli and the bank's joint managing directors explained the heavy losses of 1994 to the foundation which controls the company.

Mr Coccioli has blamed the loss partly on the depth of recession in southern Italy, which left Banco di Napoli with a portfolio of bad loans.

Naples' city council agreed an all-party resolution last Friday, calling on the board to step down. Speculation about Mr Coccioli's successor has centred on Mr Piero Barucci, the former Italian treasury minister who is a senior manager at Credito Italiano, the Milan bank.

In the last six months, Banco di Napoli's accounts and management have come under scrutiny from its main shareholders – the treasury and the controlling foundation – and from the Bank of Italy. The authorities increased the pressure last year after Mr Ferdinando Ventriglia, former managing director, was persuaded to step down, ending an era of political control over the bank.

Mr Somogyi hinted yesterday that the rest of the board's offer to resign could be linked to new attempts to gain political control of the bank.

Hungary names advisers for bank stake flotation

By Virginia Marsh in Budapest

Schroders, the UK merchant bank, and Creditanstalt Securities Budapest, part of the Austrian financial services group, have won a hotly-contested race to advise on the sale of Orszagos Takarekpenztar es Kereskedelmi Bank (OTP), the Hungarian national savings and commercial bank.

The state, which owns 80 per cent of OTP, the country's largest bank, is expected to sell about 30 per cent by the end of June. The privatisation is likely to be one of the biggest in Hungary this year.

Officials said 17 companies had been invited to tender for the mandate, and that the Schroders and Creditanstalt team won after being short-listed along with N. M. Rothschild, the UK merchant bank, and Credit Suisse First Boston, the investment banking subsidiary of CS Holding, the Swiss financial services group.

Schroders is also advising the state on the sale of MVM, Hungary's electricity monopoly. Last year, with Creditanstalt Securities, it advised on the international private placement and flotation of the country's largest pharmaceutical company, Richter Gedeon, in the biggest privatisation since the Socialist-led government took office eight months ago.

Hungarian officials said the state was not seeking a strategic partner for OTP, which holds around 60 per cent of domestic household savings and 90 per cent of local government accounts. Instead, around 30 per cent of the bank is to be offered to domestic and international institutional investors via a private placement. This will be followed by the sale of around 5 per cent through a domestic public offer. Employees and management will also be offered 5 per cent.

The state has said it wants to remain the largest single shareholder in the bank. It plans to keep 25 per cent, and to limit foreign investors to maximum stakes of 5 per cent. The two state social security funds are each expected to be given 10 per cent of OTP as part of the government's obligation to allocate Ft300bn ($2.6bn) in state assets to them.

Yesterday's announcement comes just a week after Credit Suisse unexpectedly pulled out of negotiations to purchase a majority stake in Budapest Bank, a large Hungarian commercial bank.

Officials say OTP has share capital of Ft38bn, and had a net asset value of around Ft41bn at the end of 1994. Shares are expected to be offered at around 180 per cent of face value, they said.

Chemicals fuel recovery as Bayer hits acquisition trail

By Jenny Luesby in Leverkusen

Bayer, the German chemicals group, said yesterday sales and earnings in the first two months of the year had confirmed that last year's good performance would continue.

With cash flow of DM5.7bn ($4.1bn) last year, and negligible gearing, the company could be making pharmaceutical acquisitions in the DM200m-DM600m ($142.8m-$428.5m) range this year, said Mr Manfred Schneider, chairman.

The upturn at the group is being driven by its chemicals businesses, with polymers leading the way. Buoyant demand in the automotive and electrical industries pushed polymer operating profits to DM266m last year, from an operating loss of DM115m in 1993.

Organic chemicals also posted strong gains, with sales up 12 per cent, but the overall profitability of the business was held back by weakness in dyes and pigments.

This situation would improve from July 1, however, when textile dyes were due to be hived off into a joint venture with Hoechst, with the loss of 300 jobs, said Mr Schneider. About 150 of the job losses would be in Germany.

The fibres business also performed badly, although it did break even, following a restructuring. Within the agrochemicals business, animal health sales rose 8 per cent, and crop protection by 7 per cent, lifting profits DM199m to DM421m on sales of DM4,304m.

Healthcare, however, remained the group's most profitable business, although extraordinary charges for restructuring of the pharmaceuticals and diagnostics business drove operating profits down DM203m to DM1.65bn on sales of DM11,170m. This cut the operating margin to 15 per cent.

The group appeared to soften its tone on the possibility of a demerger of its chemicals and pharmaceuticals business. It said it had no plans to split the businesses, but was keeping such an option under review.

In any event, the pharmaceuticals business will be reorganised on April 3 into four regional businesses: Europe, North America, Japan and the rest of the world. The businesses would report to central management in Leverkusen, but would have independent responsibility for their markets, said Mr Schneider.

In addition, research and development would become a separate entity. R&D spending rose only marginally last year, by DM20m to DM3.2bn.

Regionally, the strongest growth was in Asia and Latin America, where a decision last summer to take out forward currency contracts cushioned the group against the Mexico peso crisis. A currency-related fall in sales in Canada, however, constrained sales growth in North America to 8 per cent. In the US, the company said yesterday it was on target to recoup the $1bn price tag for the North American Bayer within six years.

هكذا في الاصل

Loral buys Unisys defence units

By Louise Kehoe in San Francisco

Unisys, the US computer and defence group, is to sell its defence and aerospace business units to Loral, a large US defence contractor, for $862m in cash.

The sale is the latest in a series of consolidations in the US defence industry over the past two years in response to the Pentagon's spending cuts.

Unisys has seen its defence revenues and profits decline sharply. The sale comes 3½ years after Unisys first proposed spinning off its defence operations to focus on commercial information technology.

"The sale of our defence business is the last major step in re-positioning our portfolio of businesses," said Mr James Unruh, Unisys chairman and chief executive.

"It will enable us to focus our entire energy and resources on our cootinued transformation from a traditional computer company to a services-led information management company."

Unisys said it did not expect the sale to have a material effect upon its financial performance because savings would offset the loss of profits from the defeoce business.

The company said the proceeds would be used for investments in its core businesses, general corporate purposes, and possibly for repurchase of its securities.

The operations to be sold employ about 8,500 people in Eagan, Minnesota; Great Neck, New York; Salt Lake City; Utah; and Montreal, Canada. They had revenues of $1.4bn in 1994, a decline from the previous year.

Included in the sale are Unisys' military electronics systems integration, program management, software and custom product design and manufacturing businesses which make a wide range of control systems for missiles, warships, helicopters and surveillance aircraft.

The sale also includes Unisys' postal sorting systems, weather systems, and air traffic control systems businesses, which have historically been part of the company's defence operations.

However, Unisys will retain its federal systems and health information management business units, which provide commercial information systems and servicea to the US government and public sector.

Loral, which is believed to have been the highest bidder for the Unisys defence operations in a three-way contest with Raytheon and Hughes, the US defence groups, said the effective purchase price for the Unisys businesses was about $798m after agreed contractual adjustments.

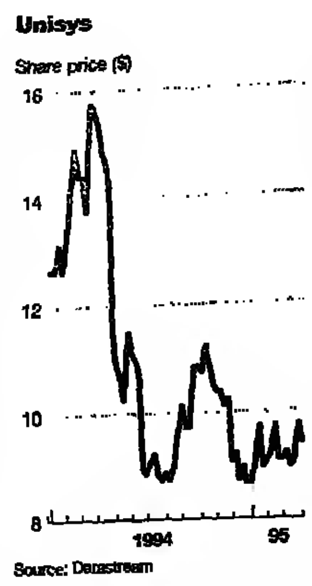
The transaction is expected to close by the end of September, subject to regulatory approvals.

"This acquisition represents a strategic building block for Loral," said Mr Bernard Schwartz, chairman and chief executive.

"The Unisys defence operations fit extremely well with ours," he added.

"We expect the acquisition to increase Loral's annual earnings by 20 cents a share in the first full year of operations, even before giving effect to the benefits of synergies and productivity enhancements," Mr Schwartz said.

Loral said it intended to maintain Unisys Defense Systems' management team.



Net income at ConAgra rises 14% in third term

By Laurie Morse in Chicago

ConAgra, the Omaha, Nebraska-based food processor and commodity trader, reported third-quarter net income rose 14 per cent as the company enjoyed rising profits from its prepared foods and grocery operations.

The company reported earnings of $118.5m, or 49 cents a share, in the quarter ended February 26, up from $103.7m, or 43 cents, in the same quarter of 1994.

Sales were up 3 per cent to $5.76bn in the quarter, from $5.58bn a year ago.

Mr Philip Fletcher, chairman, said: "Wa are investing substantial capital and management energy to improve plants and business systems and leverage our powerful brands.

"We are especially pleased with the continuing growth of Healthy Choice's total diversified product line-up." Healthy Cboice is ConAgra's hranded frozen and prepared foods range.

Mr Fletcher said he expected the 1995 fiscal year to produce record earnings for the company.

For the first nine months of tbe year, ConAgra's net income was $345.2m, or $1.43 a shara, up from $305.3m, or $1.26, in the first nine months of 1994.

Sales in the year to date were up 4 per cent to $16.29bn, from $17.6bn a year ago.

The company is a leading meat packer in the US and ahroad. It said its beef business in Australia raised third-quarter operating profit, but that nine-month earnings in that segment were down due to unfavourable business conditions in the first half.

ConAgra's large fresb chicken processing arm saw a sharp decline in operating profits during the quarter, in part due to growing competition.

During the third quarter the chicken products business was moved into ConAgra's refrigerated products group to boost its performance.

Ciments Français cuts deficit to FFr171m

Losses at Ciments Français, the French construction materials company, narrowed to FFr171m ($34.4m) in 1994 from FFr685m a year earlier, agencies report.

Revenues fell slightly to FFr13.28bn from FFr13.46hn last time.

At the operating level, profit rose to FFr1.696bn from FFr1.047bn. The company said it expected to record further improvements in operating income in 1995.

It said sales estimates for the first quarter indicated a slight increase from a year earlier for both cement and construction materials.

Ciments cited marked contrasts betweeo different countries in the first quarter. Sales were stahle in France and advancing in Spain, Belgium and North America, hut the downturn in the Turkish market which started in the second half of last year was continuing.

The company said operating income improved last year as a result of reduced costs and improved profitability.

The net loss figure of FFr171m includes the payment of a FFr169m fine to the European Commission which is heing appealed against, Ciments said.

Asset sales totalled FFr932m in 1994, hringing the total for the past three years to FFr3.37bn.

Stet will seek listing on New York Stock Exchange in June

By Andrew Hill in Milan

Stet, Italy's state-controlled telecommunications holding company, will seek a listing on the New York Stock Exchange in June, Mr Ernesto Pascale, the group's managing director, said yesterday.

Stet is already listed in Milan, as is Telecom Italia, its main operating subsidiary.

The government is expected to sell off its majority stake in Stet later this year. The government, and Stet management, confirmed yesterday that they favoured safeguards to avoid the company falling under foreign control.

Mr Pascale said Stet's main shareholders should be "Italian or predominantly Italian". "The Italian telecommunications and information sector is a national asset: it would be good if it stayed in the hands of Italian investors," he said.

Separately, Mr Agostino Gamhino, Italy's telecoms minister, told a parliamentary committee that foreign investors would not be prevented from taking part in the privatisation, "hut they would certainly have to take account of national strategic demands in this sector".

The government is considering selling its entire 61 per cent stake in Stet, which is held through IRI, the state holding company, to a consortium of Italian banks. Two rival groups of banks have presented proposals to huy all the shares, establish a core of strategic investors, and sell the other shares on to the public.

IRI has said the sale could take place only after the listing of Stet's shares in New York, and the demerger of Telecom Italia's mobile telephone husiness. Yesterday, Mr Francesco Chirichigno, Telecom Italia's managing director, said the demerger would take place on July 17.

Shares in Telecom Italia, one of Italy's biggest companies, rose more than 5 per cent yesterday on record 1994 profits.

Philip Morris in joint venture with PepsiCo

Philip Morris, the US tobacco and foods group, and PepsiCo, the US soft drinks company, have formed a 50-50 joint veoture to market ready-to-drink canned coffee in Asia, agencies report from Hong Kong.

The venture, Maxwell House Beverage, formed hy Kraft Foods International, a Philip Morris unit, and Pepsi-Cola Manufacturing, a PepsiCo unit, will introduce canned coffee in Gnaogzhou and Shanghai, China, next month.

The venture plans to expand throughout China and into countries in Asia, excluding Japan and Korea where Kraft Foods has existing coffee alliances.

The venture expects the new coffee products to generate sales of about 30m cans in the first year, growing at double-digit rates over the next few years.

The product will be availahle in 250 ml cans. Kraft Foods said research showed ready-to-drink beverages were increasing in popularity in Asia.

"We wish to capture a substantial share of the growing ready-to-drink coffee segment," said Mr James King, Kraft Foods' presideot in the Asia Pacific region.

Fischer in the black at SFr63m

By Ian Rodger in Zurich

Georg Fischer, the Swiss motor components and machine tools group, has reported net income of SFr63m ($54m) for 1994, compared with a loss of SFr34m in 1993 and a nominal SFr11m profit in 1992.

The directors said they anticipated a further "significant" improvement in profit this year, and have recommended a partial restoration of dividends to 6 per cent after two years with no payout.

Fischer, best known as a leading supplier of castings to European motor companies, emerged last year from two years of difficult restructuring, shedding several marginal and declining businesses and reorganising its core areas.

Fischer sales rose 3 per cent to SFr2.17bn and new orders were up a 10 per cent to SFr2.21bn.

Operating income more than douhled to SFr115m from SFr46m and all divisions contributed to the improvement.

The motor components division, achieved a 7.9 per cent advance in sales to SFr711m, thanks to the stronger export performance of the German motor industry, and a 25 per cent advance in new orders improved the operating rate and profits.

The piping systems segment recorded sales of SFr544m, compared with SFr532m, and was benefitting from economic recovery in Germany.

The trouhled Charmilles machine tool division achieved the greatest progress, with a 25 per cent rise in sales to SFr390m and a "marked" improvement in its profits.

Sales in the equipment and plant construction division declined slightly to SFr522m from SFr534m, reflecting pricing pressures and a low level of investment spending.

Group net debt at the end of the year was SFr441m, SFr74m lower than at the end of 1993.

Borden sells RJR shares for $638m

Borden, the US foods group, has sold 111m RJR Nabisco shares at $5.75 each, raising $638m, Reuter reports from Columbus, Ohio.

After the offering, Borden will not hold any RJR Nahisco shares.

Kohlberg, Kravis Roberts, the US huy-out specialists, granted the RJR shares to Borden last week to help Borden's balance sheet, as KKR divested itself from the food and tobacco group while bolstering Borden, its new acquisition.

The gross proceeds are before commission payment to Goldman Sachs, which handled the offering.

The proceeds will be used to give Borden flexibility to reduce debt, reshape its financial structure and invest in Borden's businesses.

Paper recycling rules under pressure as shortages bite

By Bernard Simon in Toronto

The tight glohal newsprint market has increased pressure on North American publishers and local governments to turn a blind eye to environmental rules on the use of recycled material.

According to several publishers and newsprint producers, security of supply has become a higher priority than compliance with rules specifying minimum recycled content. Although precise regulations differ, US states and Canadian governments are generally phasing in a recycled content of 40-60 per cent in newsprint.

A senior executive at one eastern Canadian supplier said yesterday that "everyhody wants to obey the rules. But when there's a shortage of newsprint, nohody worries about bow much recycled content you have in it".

The newsprint sbortage is partly due to strong exports to fast-growing south-east Asian markets, where prices are higher than in North America.

Many mills have resorted to an informal rationing process for their domestic customers. Kruger, a large Canadian producer, earlier this montb advised all customers that it would cut supplies hy 10 per cent from April 1.

The market has been distorted by a steep rise in the price of old newspapers (ONP) used for recycling. ONP prices bave shot up over the past year from US$20 a tonne to about $120 a tonne on the eastern seaboard.

As a result, some producers are replacing recycled pulp with cheaper virgin fibre.

For example, a mill south-west of Toronto operated hy Quno, which is controlled hy the Chicago Tribune, reduced the recycled content of its newsprint last month from about 75 per cent to 70 per cent.

Florida recently dropped an "advance disposal" tax which was designed to encourage publishers and local authorities to ship old newspapers outside the state.

Newsprint producers are due to raise their prices to $675 a tonne on May 1, compared with a low of $420 at the beginning of last year.

There is speculation that some producers are planning further increases in July and September.

However, Mr John Maine, analyst at Resource Information Systems, a US consultancy, predicted some let-up in the second half of this year.

Mr Maine said newsprint demand would be dampened by lower newspaper circulation caused hy recent cover price increases, and by a fall-off in classified advertising as a result of softening activity in the housing and vehicle sectors.

INTERNATIONAL COMPANIES AND FINANCE

Nasdaq operator unveils proposals to calm critics

New trading system, similar to that of the NYSE, aims to improve price protection, writes Maggie Urry

The second largest stock market in the world, the US National Association of Securities Dealers which operates the automated quotation system (Nasdaq), has recently had a lot of unpleasant questions to answer.

It is being investigated by the US Justice Department and the Securities and Exchange Commission, and faces law suits accusing collusion and price fixing to the detriment of investors.

However, this week NASD responded to its critics with a proposal intended to improve price protectioo for investors.

Ironically, the solution that NASD proposed would make its trading system more like that of the New York Stock Exchange, the establishment exchange against which Nasdaq has been seen as an upstart rival.

Over the years, Nasdaq has become a thorn in the side of the NYSE, the so-called Big Board.

Nasdaq, which concentrates oo smaller, faster growing stocks and has succeeded in keeping big technology stocks sucb as Microsoft, Intel and Apple Computer, on its lists, has grown rapidly, taking an increasing percentage of share dealing in the US.

Set up in 1971, Nasdaq accounted for 38 per cent of shares traded in tbe US by 1984. By 1994, that had grown to nearly 49 per cent, exceeding in volume terms, although not in valne, the Big Board's portion.

However, Nasdaq has frequently been criticised in its relatively short life.

Last year, new accusations, stemming from an academic study, led to tha investigations and law suits.

It started when two university academics stumbled on an unusual market practice of quoting most share prices in quarters, leaving out the odd eighths.

Last May, they wrote a paper reporting their findings, and their conclusioo of collusion by market makers.

Share prices on Nasdaq are set by competing market makers displaying on screens the bid and offer prices at whicb they are prepared to deal.

The computer system picks the best of the bid and offer prices to make a market price at whicb investors can deal. Investors can see which market maker is offering the best price at which to buy or sell shares.

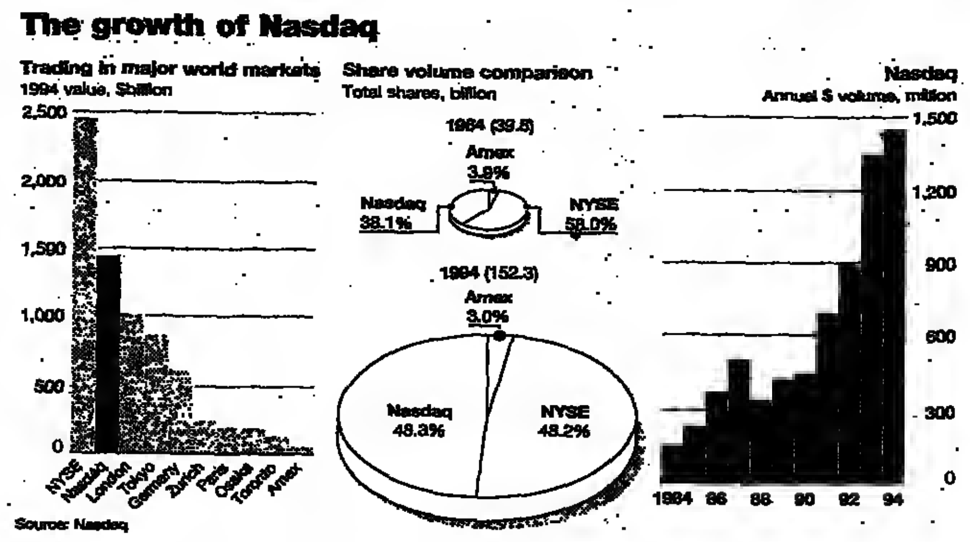
A similar system was adopted by the London Stock Exchange after the Big Bang in 1986.

The NYSE, by contrast, uses a system of specialists, rather like tbe old London jobbers, who make books in shares and adjust their prices according to the orders coming in.

The academic study said that by leaving out the odd eighths, Nasdaq dealers could ensure a minimum spread of a ¼ between the bid and offer prices sbown on traders screens.

That spread would be wider than might be expected from

The growth of Nasdaq



Source: Nasdaq

Nasdaq's system of competing quotes and, it was claimed, served to protect market makers' profits at the expense of investors.

The allegation of collusion gained strength when spreads auddenly narrowed the day after the study was made public.

Under the new Aqcess system whicb Nasdaq proposed this week, investors could put in limit orders – orders where they specify the price at which they want to deal – for 3,000 shares or fewer at a price inside the bid and offer spread displayed at the time.

Those orders would be automatically executed if they matched another order in the system.

The investor would therefore achieve a better price than could be obtained from a market maker. More important, investors could be sure of priority for their orders, as a new rule would forbid any other trade on Nasdaq being made at the specified price or higher.

This is similar to the precedence an investor gets on the NYSE when he puts an order into the specialist's book.

Mr Peter Jenkins, head equity trader at Scudder, the mntual fund management group, says that Nasdaq's proposed system looks as if "they are creating an electronic book more like a specialist's book".

Under the current Nasdaq system, be says, be can be trying to deal through one broker at a certain price and be unable to fill the order even though other trades are being done at that price.

Under the new system his order would have priority.

Mr Jenkins says he will be happier to deal under Aqcess, so long as the system is properly policed.

Professor William Christie of Vanderbilt University, one of the authors of last year's study, says it "certainly looks like an improvement that addresses some of the issues head-on."

Bnt while investors are happy, market makers might not be. Their profits will be squeezed if investors can deal inside the market spread.

Mr Josepb Hardiman, president of the NASD, believes that the cut in market makers' margins should be more than offset by a rise in the volume of trading as more investors are eocouraged to deal on Nasdaq.

Publicly, market makers say they welcome the change. Merrill Lynch, one of Wall Street'e leading brokers and a Nasdaq market maker, said the proposal "goes a long way to answering recent investor concerns". It is in its interests, Merrill Lynch says, that its clients are served and protected in all markets.

Anotber broker said "this is an acknowledgement by Nasdaq that serious, legitimate questions were being raised that were having an effect on the marketplace.

"Investors were reluctant to trade. Whatever the cost to us it is worth it to enbance investor confidence. A more trustworthy market will attract more volume."

While Nasdaq appears to have suffered limited damage so far from last year's bad publicity – there was oo increase, for example, in the number of companies shifting from a Nasdaq quote to a NYSE listing – it was imperative that it was seen to be taking action.

This week's proposed changes have yet to gain the approval of the SEC, and the necessary technology must be developed.

If Nasdaq can pass those tests, it can hope to continue its rise and the Big Board may have to look to its laurels.

Brazilian chemicals group plans production expansion

By Patrick McCurry in São Paulo

Brazil's Rhodia-Ster, a recently-formed joint venture controlled by Rhône-Poulenc, the French chemicals and pharmaceuticals group, said it would invest $466m in expanding its production of polyester-based products in the next four years.

Nearly half the investment will be spent on increasing production of PET resin and packaging, which is used to make products such as plastic bottles, bags and food packaging.

About four-fifths of the total investment would be made in Brazil, said president Mr Patrick Caillaux.

Demand for polyester-based products in South America has been growing at more than 9 per cent during the past decade, compared with about 7 per cent worldwide, he said.

Rhodia-Ster was created last May by Rhodia, the Brazilian subsidiary of Rhône-Poulenc, and Celbras, a unit of Sinasa, the Brazilian chemicals company.

Twenty-seven per cent of the company was floated last December in an international share offering. The IPO raised about $180m, which was mainly used to pay for Rhodia's capitalisation of the new company.

Mr Caillaux said that the new investments would allow Rhodia-Ster to increase production of PET resin to 180,000 tonnes by the end of 1996 and to 267,000 tonnes by the end of 1997, compared with 70,000 tonnes at present. Much of the increase will be achieved through the doubling of production at the company's plant in Minas Gerais state.

Mr Caillaux said a joint venture to make PET resin in Venezuela was being negotiated with Mantex, a Venezuelan company, and that Rhodia-Ster planned to begin construction this year of a plant near Buenos Aires with a capacity of 80,000 tonnes a year.

Other planned investments include $97m in production of PTA, the main raw material for polyester, $84m in polyester fibre and $47m in polyester film. The company expects to finance the investments through cash flow.

From May to December 1994, Rhodia-Ster reported net sales of $298m and after-tax profits of $46.2m.

Portugal sets date to price telecom sale

Portugal plans to price shares in state telepbone company Portugal Telecom on May 25, a few days before it sells about 25 per cent of the company in a first phase of privatisation, said Mr Carlos Costa, secretary of state responsible for telecommunications, Reuter reports from Lisbon.

Mr Costa said the pricing would follow a PT privatisation roadshow to Geneva, London and New York. The sale of the shares would take place on the Lisbon, London and New York stock exchanges a few days later, he said.

Portugal Telecom was created last June from the merger of three state-run telecommunications companies to agglomerate tbe sector into one company ahead of privatisation.

Ontario Hydro returns to black

By Robert Gibbens in Montreal

Ontario Hydro, one of Canada's two biggest electric power utilities and a big international borrower, reaped the benefits of two years of restructuring and posted 1994 net income of C$855m (US$610m) before special charges totalling C$268m.

In 1993, there was a loss of C$3.6bn after write-offs and restructuring charges.

In 1994, the utility reduced total debt by C$650m to C$34bn and it expects a further reduction of C$3.3bn by the end of 1997.

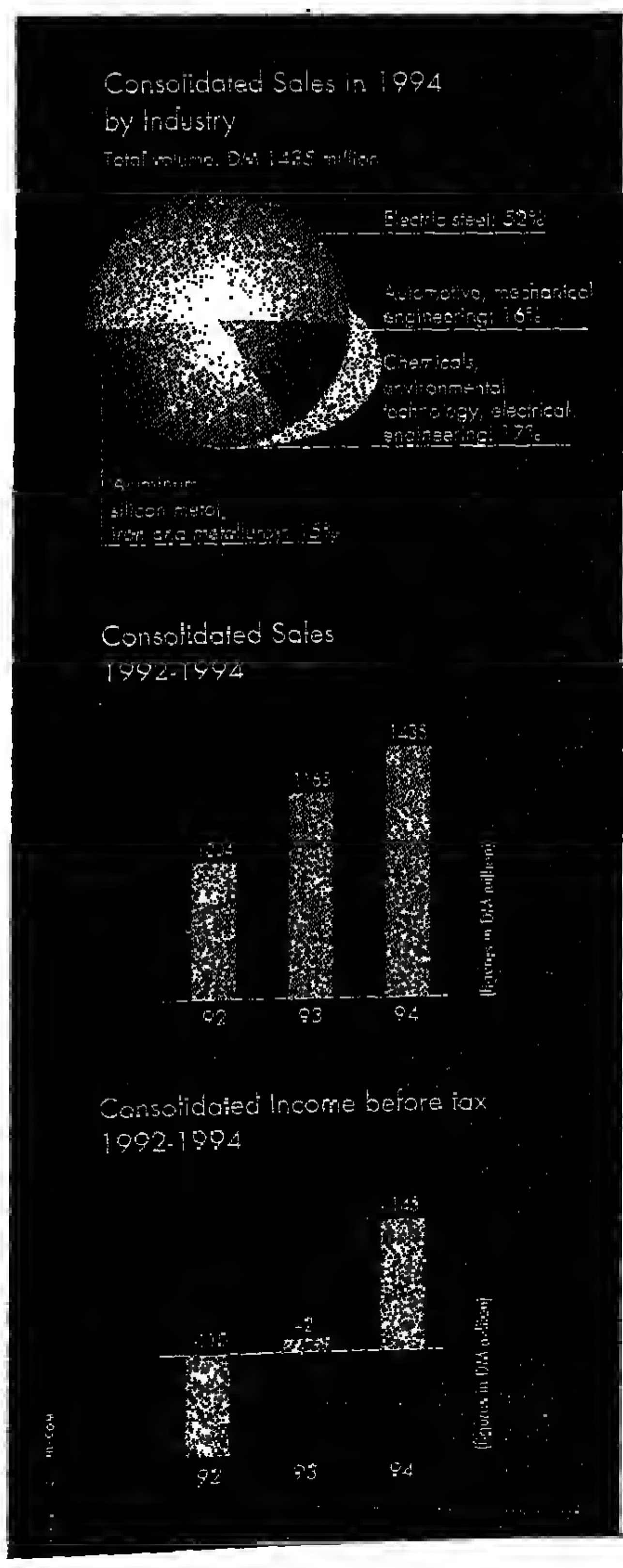
● Geac Computer, one of the world's top three makers of computer systems for libraries, lifted net profit to C$23.4m, or 81 cents a share, in the first nine months to January 31, up 38 per cent from C$16.9m, or 60 cents, a year earlier.

Sales rose 22 per cent to C$137m, an increase of 22 per cent.

Tbird-quarter profit advanced to C$8.5m, or 30 cents, up 47 per cent from C$5.8m, or 20 cents, on sales of C$49m, up 27 per cent.

Geac has broadened its markets beyond library institutions – it has supplied systems to the Vatican Library and France's Bibliotheque Nationale – into building, hotel and property management systems.

The Toronto company recently bought Fasfax in the US, which makes systems for the fast-food industry and has won contracts from several big banks to centralise their accounting records.



INTERNATIONAL COMPANIES AND FINANCE

Bank of Baroda plans Rs10bn share issue

By Peter Montagnon and R.C. Murthy in Bombay

Bank of Baroda, India's second largest bank, plans to raise about Rs10bn ($317m) through a share issue later this year that will reduce the government's stake to 64 per cent from 100 per cent.

Mr K. Kannan, chairman, said the bank hoped to atructnre the issue in a way that would enhance earnings per share, which lastyear amounted to Rs3.

Under this structure the bank would return some shares to the government at the par value which it originally paid. It would then cut the par value of its remaining shares and sell new shares to the public at a premium to the new lower par value.

This would reduce the number of shares in circulation and enhance earnings per share, which could rise to more than Rs11 in the next financial year, according to Mr C. B. Ramamurthy, general manager.

Several other Indian banks, which are also planning share issues this year, are considering e similar structure. But there are doubts about whether tha scheme will be approved by the government, as it would be forced to forgo benefits from the goodwill and earnings accumulated during the period of nationalisation.

Mr Kannan said Baroda was experiencing a strong profits recovery as provisions fell. Most Indian banks were obliged to accumulate large loan loss provisions when accounting rules were changed as part of the government'a economic reforms, but Mr Kannan said the bank was recovering some of the bad debts.

Profit after provisions for the current year to end March should be in the region of Rs1.5bn, be said, compared with Rs660m in 1993-94. Provisions should fall below Rs3bn from Rs4.5bn previously.

As part of its diversification in tbe wake of reforms, Mr Kannan said the bank was setting up a credit card subsidiary and was planning to expand in leasing.

Baroda had decided against raising money in the global depositary receipt market for the time being, but part of its issue, expected in late summer, could be denominated in foreign currency and reserved for non-resident Indians.

NEWS DIGEST

Daimler-Benz holding structure simplified further

The shareholding structure of Daimler-Benz, the German vehicle, aerospace and electronics group, has been further simplified with the dissolution of a company through which institutions held a significant stake, writes **Andrew Fisher in Frankfurt.**

Daimler said yesterday that Stella Automobil, an investment vehicle which held 12.3 per cent of the group, had ceased to exist after its investors had swapped their holdings for direct stakes in Daimler. Stella was formerly an important shareholder in Mercedes AG Holding (MAH), which held 25 per cent of Daimler shares and was merged into the group a year ago.

MAH was formed in 1976 to prevent a takeover hy Iran when it was ruled by the Shah and had become a heavy investor in German industry as a result of its oil wealth. Iran wanted to buy a 39 per cent stake from Mr Friedrich Karl Flick, of the Flick industrialist family, but was forestalled by Deutsche Bank which purchased the holding and placed part of it with MAH.

Daimler decided it had no further need of MAH, shares of which were quoted separately, when its stock was listed in the US in 1993. The group yesterday said it now had two large shareholders, Deutsche Bank with 24.4 per cent and Kuwait with 12.96 per cent. This is the first time the size of the Kuwaiti stake has been given.

CEPA posts HK$235m earnings midway

Consolidated Electric Power Asia (CEPA), the electricity utility and power station development group of Hong Kong-based Mr Gordon Wu, yesterday reported dehut net earnings of HK$235m (US$32.15m) for the six months to the end of December, writes Simon Holberton.

During the previous period the company had been operating for only one month. Figures which the company said were indicative of how lt would have traded if it had existed, showed a rise in net profit of 132 per cent.

In the previous six-month period the company had turnover of HK$528m. Directors declared a maiden dividend of 6 cents for fully paid shares and 3.21 cents for partly-paid shares.

CEPA is a spin-off from Hopewell of its electricity generating and development business. Mr Sheldon Kasowitz, analyst at Jardine Fleming, said yesterday's results were good; however, CEPA was still in transition from Hopewell to a stand-alone power company.

The company said it had been granted preliminary planning approval from Beijing for a four-unit 660MW power station in Shenzhen and was actively negotiating a joint-venture agreement with its Chinese partner.

CEPA said that it was also pursuing opportunities in India and Pakistan. It described discussions with the former as "ongoing" while those with the latter as "progressing satisfactorily".

Ares-Serono tumbles 61%, halves payout

Ares-Serono, the Geneva-based biotechnology pharmaceuticals group, said its 1994 net income plunged 61 per cent to $28.2m, and the directors are recommending a halving of the dividends, writes Ian Rodger in Zurich.

The group, which specialises in human fertility treatment, has been hard hit by the removal of some of its products from government reimbursement lists in Italy and Spain.

Group sales were down 5 per cent to $636.8m, but excluding Italy and Spain, they were up 22.3 per cent.

Ares said its results were also hurt by a shortage of hormones collected from urine for one of its leading infertility drugs. The use of recombinant DNA for production of the material in the future will eliminate the supply problem.

In spite of the poor performance, research and development spending was boosted 21 per cent to $138.3m, mainly for the development of recombinant products, such as interferon beta, in the field of immunology/oncology.

Pre-tax profit from continuing operations was down 48 per cent to $55.5m.

The group said the dividend cuts, to SFr3 per bearer share and SFr1.20 per registered share, were in line with reduced earnings and reflected the board's commitment "to invest earnings in the future growth of the company".

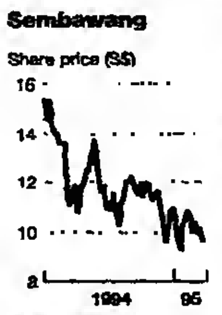
Coles Myer proxies approve share plan

Coles Myer, Australia's largest retailer, said yesterday that shareholders who had returned proxies to date had been "overwhelmingly" in favour of its plan to cancel a second tranche of the shares bought back from Kmart in the US, writes Nikki Tait in Sydney.

The plan is due to be voted on at a shareholder meeting on Thursday.

The first cancellation plan caused some controversy, although it eventually passed comfortably. In this case, Mr Peter Bartels, chief executive, said yesterday: "Both the proxies we have received to date and our telephone polling of shareholders have been overwhelming in favour. We expect shareholders to approve the cancellation ... this week."

Accounting change boosts Sembawang



Source: Datastream

Sembawang, one of Singapore's biggest shipyards and ship-repair companies, has announced an 8 per cent risa in pre-tax profits to S$100m (US$70.75m) for the year ending December 31 1994, writes Kieran Cooke in Kuala Lumpur. However the rise in earnings was due to changes in accounting policy. Analysts say a 15 per cent fall in pre-tax profit would have been shown under the previous accounting method.

Group net earnings fell 13 per cent to S$79.8m last year. Group turnover was S$1.1bn. Sembawang said intense international competition put pressure on the group in 1994. The results were below analysts' expectations but reflected the tough times experienced by the shipbuilding and repair sector worldwide.

Analysts say Singapore's shiprepair industry has become one of the most efficient in the world but see little chance of a return to increased profitability in the sector until late 1996.

NZ broadcaster advances 56%

Television New Zealand, the state-owned broadcaster, yesterday reported operating profit after tax up 56 per cent in the fiscal year ended December 31 1994, over the year-earlier period, AP-DJ reports from Wellington.

Operating profit advanced to NZ$50.9m (US$32.85m) from NZ$32.6m previously, on revenues 5.3 per cent higher at NZ$391m, compared with NZ$372m.

The company will pay the government a divideod of NZ$35.6m, 83 per cent up on 1993's NZ$19.5m.

Cathay Life ahead at T$9.86bn

Cathay Life Insurance, Taiwan's largest insurance company, yesterday announced oet profit of T$9.86bn (US$379m) for 1994, a 22 per cent advance on the previous year's T$8.09bn, AP-DJ reports from Taipei.

At the pre-tax level, profit of T$10.68bn was 18 per cent up on 1993's T$9.08bn. Revenues rose 17 per cent to T$199.38bn from T$169.75bn.

Mr Thomas Chang, senior vice-president, attributed the stable profit growth to higher premium revenue and income from land sales. He said the lower-than-expected profit was a result of higher operational costs and a delay in booking the T$2.5bn income from land sales.

However, Mr Andy Su, an analyst with Grand Cathay Securities, said the mediocre profit growth signalled Cathay was gradually losing its competitiveness in the local market. The insurer, which has claimed a 45 per cent stake in domestic life insurance market, received only 37 per cent of overall new life insurance policies last year, he said.

A corporate vulture swoops on China Assets

Regent Pacific plans to wind up the fund, writes Simon Holberton

Mr Jim Mellon, managing director of fund managers Regent Pacific Group, describes himself as a "vulture" and, like a vulture on the wing, Mr Mellon circles corporate Asia looking for the weak and frail.

Late last year, Mr Mellon found one sucb case. It is a "closed end" listed investment trust called China Assets Holdings, trading at a near 60 per cent discount to its net asset value of HK$7.65 a share.

Earlier this month, he told the company that funds controlled by Regent, which has bases in Hong Kong and Canada, owned 10 per cent of the company's capital and that he would be requisitioning an extraordinary meeting of the company's shareholders.

At tbe meeting, which be expects to take place in early May, Mr Mellon plans to call on shareholders to sack the company's management and directors.

In their place, he will ask shareholders to appoint Regent, at reduced fees, to manage the company's direct investments in China and its cash as a first step to the winding up and distribution of assets to shareholders.

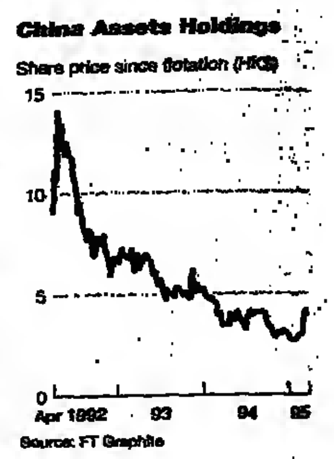
Since its listing in April 1992, China Assets' share performance has been dismal. It was floated at HK$8.58 a share and in the first month touched a high of HK$14.10. However, since then it has had a virtually uninterrupted slide to its all-time low of HK$2.67 last year. Yesterday, it closed at HK$3.975.

What gives this particular assault on corporate Hong Kong an added frisson of interest is that China Assets is associated with some of Chine's leading political families through a leading shareholder, which also controls the company's fund manager, China Venturetech.

The company's high-level "connections" reach to the top of China's Communist party. One of China Venturetech's vice-presidents is Miss Chen Weili, the daughter of Mr Chen Yun, one of the elders of the Chinese communist party and a veteran of the Long March. Miss Chen's brother is a senior official at the People's Bank, China's central bank.

"As far as I'm concerned it doesn't matter who they are connected to," says Mr Mellon. "It's the shareholders who matter. China funds have attracted e lot of cash but have proved to be lousy investments."

China Assets has not taken Regent's attack lying down. Mr Zhou Xiaohe, general manager of China Venturetech, has disputed Regent's right to call the meeting, claiming "it will invade shareholders' interests and is not the proper investment strategy in China".



Source: FT Graphite

But the company appears weak in defence to the questions Regent raises about its competence to administer the company's assets. China Assets lost about US$3.5m on its first investment in China and more recently fumbled a share buy-back programme it began last November.

Mr David Cassidy, managing director of Standard Chartered Asia, China Assets' adviser, said the company would respond to Regent's criticisms of management "if and when" a meeting of shareholders was convened.

The real attraction of China Assets is not its Chinese assets but its cash. At the end of 1993 it had nearly US$50m in cash.

Last year, it made investments of US$18.58m, leaving about US$31.4m in the bank. That is equivalent to about HK$3 a share. As Mr Mellon's entry price was about HK$2.70 a share, that makes the proceeds of the sale of the direct investments pure profit.

In addition to the 10 per cent of China Assets he controls, Mr Mellon claims to have the support of shareholders who own a further 20 per cent of the company. "Something will happen; one way or the other this company will be restructured," he says.

It is unclear how China Assets plans to fight Mr Mellon. One line of attack could be to question Regent's ability to manage companies in China where, it could be argued, that coutacts such as China Venturetech possesses, matter.

Hopewell cuts dividend 44%

By Simon Holberton in Hong Kong

Hopewell Holdings, the flagship company of Mr Gordon Wu, the Hong Kong-based entrepreneur, yesterday surprised the market wben it announced a 44 per cent cut in its interim dividend to 10 cents a share after a 19 per cent fall in net profits to HK$1.25bn (US$162m) from HK$1.54bn.

Profits were struck on a 25 per cent fall in turnover to HK$1.19bn from HK$1.61bn.

Directors described the dividend cut as "prudent" in light of the "increasing cost of capital" as well as "the opportunity of tbe group's cash resources to be invested in its attractive infrastructure projects".

In view of Asia's infrastructure needs the company looked forward to long-term growtb and benefits, they said.

At the end of last year Hopewell raised HK$7bn in loans from the Hongkong and Shanghai Bank to finance the company's take up of equity in Consolidated Electric Power Asia, its recently-floated electricity development and generation subsidiary. In December an instalment of HK$2bn was paid, bringing Hopewell's interest in CEPA to 54.6 per cent.

Although dividend cuts are often associated with poor corporate news, the decision by Hopewell to reduce its interim pay-out may please many investors. They have been concerned in the past that the company has resorted to asset sales to maintain dividends at unrealistically high levels.

Hopewell sold assets again to help with dividend payments but this time analysts said shareholders may view the sale more favourably. They may welcome the valuation which has been put on the company's highway development in southern China.

An unnamed Japanese trading house paid HK$964m for a 2.5 per cent interest in the highway'a toll revenues and commercial and retail property development opportunities on the road. This implies a value of HK$38.5bn for the road and property, of which HK$14.4bn accrues to Hopewell's remaining 37.5 per cent interest.

The main part of the highway, a 122.8km road from Shenzhen to Guangzhou, was opened on July 1. Detailed design of a 38km Guangzhou ring road is in progress, as is design of the 110km highway linking Guangzhou with Zhuhai.

INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £2,000,000,000

8% TREASURY STOCK 2015

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 29 MARCH 1995

PAYABLE IN FULL WITH APPLICATION		
	With a competitive bid	*Price bid plus accrued interest*
	With a non-competitive bid	£100 per £100 *nominal of Stock*

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 30 March 1995.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2015.

4. Stock issued under this prospectus will rank in all respects *pari passu*, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 26 January 1995, the original issue date of the Stock, until settlement on 30 March 1995 at the rate of £1.38082 per £100 nominal of Stock.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, to multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, to multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. This further issue of the Stock will rank for the first interest payment of £2.8932 per £100 nominal of Stock due on 7 June 1995.

7. The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Managemeot Act 1970, Section 43 (1), on such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the ioterest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, to particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

13. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted oo the application form published with the prospectus. Each applicatioo form must cotoprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 29 March 1995.

14. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 29 MARCH 1995**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 AM ON WEDNESDAY, 29 MARCH 1995**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON TUESDAY, 28 MARCH 1995.** Bids will not be revocable between 10.00 am on Wednesday, 29 March 1995 and 10.00 am on Monday, 3 April 1995.

15. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**

(ii) Unless the applicant is a member of the CGO Service, **PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.38082 PER £100 NOMINAL OF STOCK** must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Thursday, 30 March 1995.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST):** competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competiöve bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

16. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a mulöple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, aod each oon-competitive applicatioo form may cotoprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) *Unless the applicant is a member of the CGO Service*, a separate cheque representing **PAYMENT AT THE RATE OF £100 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** toust accotopany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competiöve bid. Non-competitive bids whicb are accepted will be accepted in full at the non-competitive sale price plus accrued interest at the rate of £1.38082 per £100 nominal of Stock. The non-competiöve sale price will be **EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, *the average being weighted* by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) *If the non-competiöve sale price, plus accrued interest*, is less than £100 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competiöve sale price, plus accrued interest, is greater than £100 per £100 oominal of Stock; applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer oo right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

17. The Bank of England may sell less than the full amount of the Stock on offer at the auction. Cancellation of a sale of Stock will not affect the non-competitive sale price or any other sale of Stock.

18. The Stock will be, and all previous issues of the Stock have been, initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of the Stock being treated as a deep discount security for United Kingdoto tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

19. *Allotment letters in respect of the Stock sold, being the only form in which the* Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any allotment letter, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. *In the event of such withholding*, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, *but such notification* will confer on right on the applicant to transfer the Stock so allocated.

20. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the Londoo Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, oo the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

21. Allotment letters may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 12 April 1995. Such requests must be signed and must be accompanied by the allotment letters. Allotment letters, accompanied by a completed registration form, may be lodged for registration forthwith and in any case must be *lodged for registration not later than 18 April 1995*; in the case of Stock held for the account of members of the CGO Service registration of Stock will be effected under separate arrangements.

22. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 30 March 1995 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 30 March 1995 shall for the purposes of this prospectus constitute *default* in *due payment of the amount* payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender an allotment letter to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of an allotment letter and be liable for the payment of any amount due in respect of such Stock.

23. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, *London, EC2R 8EU* or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided oo but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that sucb omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

21 March 1995

APPLICATION FORM

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 21 March 1995 as follows:-

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid plus accrued interest)

Nominal amount of 8% Treasury Stock 2015 applied for:

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

£

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£	32nds

Plus accrued interest at the rate of £1.38082 per £100 nominal of Stock:

£	p
1	38.082

Total amount payable per £100 nominal of Stock:

£	p

Amount required for payment (a) IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST: £

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price, plus accrued interest, as defined in the prospectus)

Nominal amount of 8% Treasury Stock 2015 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed (b), being £100 (c) for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER......................Tel No......................

Name of contact.......................................

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that any allotment letter in respect of Stock sold to me/us be sent by post at toy/our risk to toe/us at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to toy/our knowledge this is the only non-competitive application made for toy/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept sucb Stock by member-to-member delivery through the CGO Service froto the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) hy the deadline for such deliveries on 30 March 1995, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of sucb Stock in accordance with the terms of the prospectus.

SIGNATURE(S)...
Date............................ of, or on behalf of, applicant

....

PLEASE USE **BLOCK CAPITALS**

MR/MRS MISS/MS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL *ADDRESS*		
TOWN	COUNTY	POSTCODE

NATIONAL SAVINGS STOCK REGISTER: If you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 nominal of Stock) please tick this box. .

(a) A CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account Number 58560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Thursday, 30 March 1995, except in the case of members of the CGO Service who have completed Section C.

(b) A separate cheque toust accompany each non-cotopetitive application. Cheques should be made payable to "Bank of England" and crossed "New Issues" and must be drawn on a bank in, and be payable in, the Utoted Kingdom, Channel Islands or the Isle of Man.

(c) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 29 MARCH 1995; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 29 MARCH 1995; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 28 MARCH 1995.

COMPANY NEWS: UK AND IRELAND

Bowater defies price rises to turn in £226m

By Peggy Hollinger

Bowater, the printing and packaging group, beat off the effects of sharply increased raw material costs to lift pre-tax profits last year by 6 per cent to £226m ($371m).

Mr David Lyon, chief executive, said raw material prices for many products had increased by more than 50 per cent, and by as much as 100 per cent in some cases, during 1994. However, Bowater had managed to pass on the price rises to customers within four to six weeks, on average.

Seeking to calm the fears which have hit the company's share price receotly, Mr Lyon said he was confideot the group would be able to continue recovering cost increases at about the same rate in 1995. Indeed, it had begun to see evidaoce that the rises were beginning to flatten out.

Mr Lyon admitted that such a statemeot was unusually optimistic for the oormally cautious Bowater.

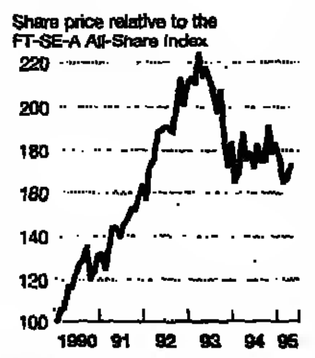
Group margins nudged up in 1995, in spite of the difficulties. Excluding the pension fund surplus, which was included in operating profits for the first time, margins rose by 0.3 percentage points to 9.5 per cent.

The packaging and print businesses, which are most exposed to increased raw material costs, increased operating profits from £99m to £110m, on sales slightly higher at £1.17bn.

Coated products benefited from strong volume growth to increase profits by 22 per cent to £62m, on sales 24 per cent ahead at £554m. Building and engineering rose 25 per cent to £50m on sales 21 per cent higher at £482m.

Mr Lyon said Bowater expected the stroogest growth to come from the coatings, healthcare and beauty products packaging businesses. The company also expected to make a series of bolt-on acquisitions in these businesses wheo possible.

Bowater



Source: FT Graphite

Avonmore Foods falls to I£21.7m

Avonmore Foods, the Irish foods group, reported a 25 per cent fall in 1994 pre-tax profits, from I£29.2m to I£21.7m ($36m), following losses from the closure of its German meat operations.

Turnover iocreased to a record I£1.2bo (I£1.13bn), with 76 per cent of sales generated from outside Ireland.

The dairy division, which accounts for 55 per cent of turnover, was affected hy a margins squeeze.

Turnover in the red meat division – beef and lamb – remained flat as the company experieoced difficult market conditions. It took charges of I£6.4m on the closure of the Harzland meat processing operatioo io Germany, the largest meat market in Europe. The German operatioo also incurred an I£2m loss for the period.

Waterford Wedgwood returns to dividends

Waterford Wedgwood, the Irish luxury goods group, is to pay a divideod for the first time in six years, in a further sign of the company's return to health after the losses of the early 1990s. Pre-tax profits more than doubled last year, from I£10.1m to I£22.6m ($37m).

In 1992 the group lost I£17m.

The board has proposed a dividend of 0.8p a share, the first since the interim declared in 1988.

Group sales rose 7 per cent to I£325m (I£319m), the highest level since 1989.

Operating profits were up 70 per cent to I£28.3m, the highest since Waterford Crystal acquired the British ceramics company in 1986.

The company is six years into a recovery programme started when Mr Tony O'Reilly, the chairman, led a rescue in April 1990.

The crystal division, the source of the losses in the early 1990s, reported a 66 per cent increase in operating profits to I£13m (I£7.8m), helped by the docking of a record 22 international cruise liners at Waterford during the year. Sales rose from I£102.2m to I£108.8m.

In the Wedgwood china division, which includes tha Waterford crystal distribution business, operating profit iocreased 75 par ceot to I£15.3m (I£8.7m). Sales were static at I£193.2m.

Waterford Wedgwood derives about 37 per cent of sales from the US, with the crystal division dependent for 75 per cent of sales oo the US. The company said that it expected to offset weakness in the dollar, which results in lower profits, by hedging its currency needs. Demand remained strong in the US for items such as Wedgwood's gift products.

Earnings per share more than doubled to 2.9p (1.27p).

Halifax Building Society bolsters its capital base

By John Gapper, Banking Editor

Halifax Building Society may issue a large tranche of subordinated debt to bolster its capital base in the flotation, which is due to follow its merger with Leeds Permanent. Halifax has informally consulted the Bank of Eogland over whether it could issue subordinated debt rather than raising fresh equity on flotation. Abbey National, the former society, raised £975m of new equity wheo it converted in 1989.

Halifax is likely to have to raise extra capital, although it has a very strong ratio of equity capital to assets. This is because it may have to set aside up to half of its reserves to protect savers' funds as part of a flotation.

The need to set aside capital meant that Abbey National had to sell shares to members on conversion in addition to issuing free shares. Halifax and Leeds' plan to issue free shares to members is currently being tested in court.

Mr Jon Foulds, Halifax chairman, said at the society's presentation of results for 1994, it had oot yet decided how to adjust its capital base on conversion, expected in about two years. Mr Foulds said that Halifax's general reserves of £4.3bn, and tier 1 ratio of core capital to risk-weighted assets of 13.2 per cent, meant it was in a strong position to convert without sobsequently having to raise equity.

Halifax disclosed a 13 per cent rise in 1994 pre-tax profits from £866m to £975m. Income was flat at £1.89bo (£1.88bn), and profits before provisions fell hy 2 per cent from £1.14bn to £1.11bn.

The results were raised by a 49 per cent fall in provisions for bad and douhtful debts from £271m to £137m. The latter figure includes a £49m provision for funds transferred to its own mortgage indemnity insurance subsidiary.

Mr Foulds said Halifax expected that 1995 was going to be "another flat year in the housing market". He said that it was looking forward to a recovery in housing demand in 1996 and "perhaps eveo more strongly in 1997".

The society had net leoding of £3.6bn, or 19 per cent of the UK mortgage leoding market, while retail savings balances rose by £2.2bn, mainly because of capitalised interest.

Total assets rose by 7.5 per cent from £67.2bn to £72.3bn.

BSG advances by 43% and sees further growth

BSG International, the West Midlands group with interests in motor and aviation components, childcare products and vehicle distribution, yesterday announced sharply increased pre-tax profits and indicated further growth this year, writes Paul Cheeseright.

Profits for 1994 jumped 43 per cent to £15.1m ($25m). Recovery gathered pace in the second half of the year when operating profits reached £12.1m, compared with £2.2m in the 1993 second half.

Trading in the first two months of the curreot year was "well ahead" of last year.

Britax's automotive business increased sales, helped by oew contributions from US manufacturing of mirrors, and pushed margins from 2.1 per cent to 4.1 per ceot.

Losses oo the divisioo's aircraft compooents business, affected by production cutbacks of Boeing, the US aircraft maker, have been reduced and profitability is expected to return this year.

LEX COMMENT

Prudential backtracks

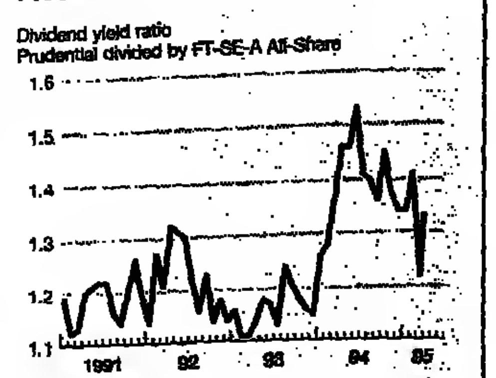
The significance of the Prudential's new provision for pensions mis-selling lies not so much in its as yet undisclosed size but in the fact that it has been made at all. The Pru is backtracking, ever so gently, from the confrontational approacb to regulatory issuesfollowed by Mr Mick Newmarch, the group's former chief executive.

The mere acknowledgment that some compensation will have to be made signals the Pru's desire to return to the establishment fold. Further evidence of this is the relatively ungenerous pay package awarded to Mr Peter Davis, the new chief executive, and the planned move from three-year rolling contracts to 18-month contracts for the rest of the board.

The Pru will find it easier to take the lead on issues such as regulation and executive pay if its own conduct in these areas is exemplary and uncontroversial. Sbareholders also stand to beoefit as the management refocuses its energies oo running the business.

Not that Mr Newmarch neglected shareholders' interests: under his management the company enhanced its positioo as the strongest of the UK's life companies. This is partly due to restructuring in the UK, but diversification in the US and Asia has also helped ensure that the Pru is the UK life company most able to to sustain high dividend payments in the future. Davis's task will be to make further efficiency gains in the maturing UK market, while developing growth opportunities abroad, perhaps in continental Europe as well as Asia and the US.

Prudential



Source: Datastream

Nigeria costs limit Paterson Zochonis

By Peggy Hollinger

Paterson Zochonis, the toiletries and detergeots company, yesterday warned that sharply higher import costs in its Nigerian businesses would hold back profits this year.

The shares fell 15p to 407p as the former plantatioos company and manufacturer of Cussons Imperial Leather soap issued tbe warning and unveiled first half profits down hy 18 per ceot to £11.2m (£13.6m).

Mr Alan Whittaker, finance director, said the Nigerian government's decision to restrict commercial purchases of foreign currency to the secondary market meant that the company was paying four times last year's rate for dollars.

In 1993 the group had suffered from the government's decision to transmit all purchases of foreign currencies through tbe central bank, which had limited supplies.

He defeoded the company's determination to remain in the highly volatile economic environment of Nigeria. The company produces more soap and detergent there than it does in the UK. "It is a very important market for us and it is profitahle," he said. "We believe it is worth hanging on because we believe that Nigeria's problems can be managed."

The other businesses had performed satisfactorily, Mr Whittaker aaid. Cussons UK had regained the market share lost when Lever Brothers launched its Dove brand. The soap husiness in Poland was increasing market share, as was the edible oils business in Greece.

The company planned to invest £35m in new factories in Poland and Greece to meet additional demand.

Mr Whittaker said the company, which is sitting on net casb of £108m, would be looking to expand in eastern Europe and the Pacific region through acquisitions.

Menzies pays £25m for 37% of Funsoft

John Menzies, the newspaper wholesaler and retailer, is expanding in the CD-Rom software market with the acquisition of a 37 per cent stake in German-based Funsoft for up to £24.9m ($40m) cash, writes David Wighton.

It will have an option to buy a further 14 per cent of Funsoft, Germany's leading distrihutor and puhlisher of CD-Rom and other multimedia software.

Menzies already has some involvement in the UK CD-Rom market through its Total Home Entertainment division, whicb distrihutes videos, audio, books and computer software.

In the year to December 1993 Funsoft made a pre-tax profit of DM7.6m and has since shown "significant" growth. Menzies said the deal would enhance its earnings.

Peek rises 32%

Peek, the traffic and field data systems group, showed the benefits of investment in new products by reporting a 32 per cent rise in profits for 1994, writes Geoff Dyer.

The group, which acquired the traffic operations of GEC-Marconi for £4m in February, improved the pre-tax line by 32 per cent to £10.2m ($17m) on turnover 31 per cent higher at £131.8m.

Profits from the field data division, which makes measurement prodocts and computers, more than doubled to £4.43m on sales of £42.1m.

Mr Allen Standley, chief executive, said that 85 per cent of expected sales of measurement products this year were for items that had not been invented in 1993.

The traffic division, which accounts for 68 per cent of turnover, recorded flat profits of £7.13m despite higher sales of £89.7m.

Net casb was £8.9m. Mr Standley said the priority for acqnisitions would be producers of measurement instruments, particularly in the US.

Monument Oil sale

Monument Oil & Gas is selling its wholly owned Australian sohsidiary to the newly formed Novus Petroleum for $41.5m. The sale includes Monument's 12.5 per cent stake in the Harriet oil field in Australia. It also includes part of the groop's shares in fields in Laos, Malaysia and Thailand.

Tha sale is conditional on the successful flotation of Novus on the Australian stock exchange.

US boost for Hydro

Turnover at Hydro International, the storm water control and sewage treatment company which went public late last year, boosted by contracts from the city of Columbus, Georgia, for two large storm water treatment systems.

Hydro said evaluation of the Columbus project and trials in New York, Seattle and Detroit were expected to form the basis for substantial future orders, hnt it does not expect any hig US contracts to be reflected in this year's results.

Hunterprint buy

Hunterprint, the printer rescued by Quebecor Printing of Canada in December, is paying Associated Newspapers a total of £24m for a newly equipped printing plant where it will prodoce supplements and magazines for Associated under a five year contract. Hunterprint sold the factory, which is close to its main plant in Corby, Northamptonshire, to Associated last year.

Warehouse clubs experiment ends

By David Blackwell

Nurdin & Peacock, the cash and carry operator whicb helped pioneer US-style warebouse clubs in the UK, is quitting the business after just one year. Its three Cargo Club warehouses, the first of which opened last March in Croydon, have been sold for £45m casb to J Sainshury, Britain's largest grocery chain.

Sainsbury plans to sell the Croydoo site, set up a superstore on the Bristol site, and turn West Midlands site into Savacentre. Mr Chris Leaver, Sainsbury's director of corporate communications, said it had bought the three for their locations, and would be spending £20m on the two new stores.

Analysts said it was douhtful wbether warehouse clubs, which sell goods at low prices to card-carrying members were workahle in the UK.

The sale leaves just one significant UK operator, Costco Europe, which is 60 per cent owned by PriceCostco, the largest US warehouse group.

Changes to UK planning laws, making it more difficult to develop green field sites, had also raised the capital cost of expanding the chain.

Nurdin was paid £35m with a further £10m oo vacant possession of the sites, which are on the books at £31m.

£70.6m German purchase for Vinten

By Christopher Price

Vinten, the internatiooal manufacturer and supplier of hroadcast, photographic and surveillance products, yesterday strengthened its grip on the broadcast equipment market, paying £70.6m for the German manufacturer Sachtler, its higgest competitor.

The group also reported a fourfold rise in 1994 pre-tax profits from £4.21m to £20.1m, although the previous year's figure was depressed by a £10.4m exceptional charge.

The purchase of Sachtler comes just one week after Vinten paid $13.7m (£8.5m) for BERC, which operates in the US professiooal video reotal business and was also ooe of Vinten's main competitors.

Vinten is to raise £33m via a placing of 6.9m shares at 490p each with an open offer to existing shareholders oo a 1-for-6 basis. The balance of the Sachtler and BERC deals will be paid for in cash. Vinten shares closed up 7p at 513p.

Mr Malcolm Baggott, chief executive, said the latest results were underpinned hy strong recovery across the group's markets.

Net debt of £11.4m at the end of 1993 was transformed to a casb balance of £8.5m last December. However, the flurry of receot deals bas pushed the group £39m into debt.

The photographic division, which includes first full-year cootributions from Bogen and Alu, saw sales rise 19 per cent to £44.4m, while operating profits increased 40 per cent to £11.9m. Broadcast profits advanced 44 per cent to £6.5m on sales 7 per cent ahead at £35.6m.

Surveillance equipment sales slipped 10 per cent to £18.1m, with profits retreating 20 per cent to £2.3m.

Sachtler, which specialises in video and film camera supports lighting and suspension equipmeot, made pre-tax profits of DM12.5m (£5.4m) on sales of DM46.9m in 1994.

Malcolm Baggott: recovery across all group's markets

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Appleyard	Yr to Dec 31	560.5	(366.9)	8.11	(5.12)	8.4	(6.8)	2.9	May 11	2.9	5.8	5.5
Applied Dist	Yr to Dec 31	33.5	(26.4)	4.01	(2.23)	9.7	(7.9)	2.7	May 22	4	-	-
Avonmore Foods ♣	Yr to Dec 31	1,191	(1,129)	21.7♠	(29.2)	10.03	(14.35)	2.1	May 24	2	3.75	3.55
Avonside	Yr to Dec 31	85.5	(66.3)	5.5	(5.5)	8.63	(8.54)	2.3	May 30	2.3	4.4	4.2
Blagden Inds	Yr to Dec 31	224.3	(225.5)	5.6L♠	(10.6L♠)	11.5L	(25.1L)	nil	-	nil	nil	1.5
Bowater	Yr to Dec 31	2,342	(2,112)	226	(212)	30.7	(28.2)	8	June 1	7.25	13.8	12.55
BSG Intl	Yr to Dec 31	714.5	(573.9)	15.1♠	(10.6)	3.49	(2.43)	2.5†	June 2	2.5	3.2	3.2
Claremont Garments	Yr to Dec 31	158.6	(114.4)	15	(11.5)	20.7	(19.1)	5	July 3	4.5	9	8.1
Clinton Cards	Yr to Jan 29	84.3	(75.9)	2.63	(3.02)	10.23	(11.61)	3.11	May 30	3.11	4.71	4.71
Clyde Petroleum	Yr to Dec 31	116.6	(81.6)	13.8	(28.8L)	3	(8.2L)	0.65	May 12	nil	1	nil
Daniels (S)	Yr to Dec 31	38.3	(36.7)	0.34L	(0.06)	4.4L	(0.6)	0.1	May 25	0.3	0.1	0.3
Derwent Valley	Yr to Dec 31	12.1	(8.24)	6.36♥	(2.54)	12.31	(9.44)	3.42†	May 26	2.9	5	4.37
Dorling Kindersley	6 mths to Dec 31	60.8	(44.8)	5.27	(3.51)	5.1	(3.7)	1.3	May 26	1.1	-	3.3
EW Fact	Yr to Dec 31	9.85	(4.98)	2.07	(1.35)	7.31	(13.19)	2.98	May 19	2.88	4.92	4.74
Fife Indmar	Yr to Dec 31	33.6	(30.2)	1.02	(0.903)	6.18	(7.13)	2.25	May 10	2	3	2.75
Fired Earth	Yr to Dec 31	5.74	(4.77)	0.16♠	(0.42L♠)	1	(7L)	nil	-	nil	nil	nil
Fisher (James)	Yr to Dec 31	32.2	(28.5)	2.28	(5.63L♠)	6.14	(15.76L)	1	May 12	nil	1	nil
Halkin	Yr to Dec 31 □	22.9	(0.477)	2.72	(1L♠)	5.24	(16.4L)	1	-	-	1	-
Hartons	Yr to Dec 31	50	(61.9)	0.99L	(4.13L)	0.66L	(5.37L)	nil	-	nil	nil	nil
Hydro Intl	Yr to Dec 31	5.34	(4.08)	0.48	(0.156)	3.873	(0.953)	-	-	-	-	-
IAF	6 mths to Dec 31	4.02	(3.51)	0.754♠	(0.712)	0.82	(0.66)	0.2	May 1	nil	-	0.1
Innovative Tech §	14 mths to Dec 31	0.033	(-)	1.74L	(-)	10.2L	(-)	-	-	-	-	-
Johnson Cleaners	53 weeks to Dec 31	169.5	(165.2)	14.3♠	(18.2)	19.16	(24.8)	8	May 4	8	10.8	10.8
Maunders (John)	6 mths to Dec 31	37.9	(33.5)	3.61	(3.03)	9.66	(8.13)	2.45	Apr 28	2.45	-	5.5
Nottingham Grp	Yr to Dec 31	45.3	(47.3)	7.04	(7.3)	8.15	(7.54)	3.68	May 26	-	5.52	-
Paterson Zochonis	6 mths to Nov 30	139	(128)	11.2	(13.6)	14.76	(17.69)	2.55	May 5	2.45	-	13.85
Peek	Yr to Dec 31	131.8	(100.6)	10.2	(7.71)	5.8	(4.6)	2.35		1.05	3.4	3.4
Prudential	Yr to Dec 31	-	(-)	603	(589)	21.4	(21)	9.5	May 31	8.7	14.4	13.2
Ricardo	6 mths to Dec 31	41.7	(30.1)	3.05	(1.97)	4.3	(3.7)	2†	May 6	2	-	6
Secure Trust	Yr to Dec 31	-	(-)	8.41	(7.61)	40.9	(35.8)	11.5	May 22	10.5	16.5	15
Singapore Para	Yr to Dec 31	0.985	(0.74)	0.81♥	(0.466)	5.96	(2.98)	3.05✱	Apr 27	1.9	3.05	1.9
UK Estates	5 mths to Dec 31	5.69♦	(1.27)	0.53	(0.28L)	0.89	(1.78L)	0.1	May 5	nil	-	nil
UniChem	Yr to Dec 31	1,325	(1,178)	44	(37.5)	19.3	(17.3)	4.7†	July 3	4.3	7.2	6.5
Vinten	Yr to Dec 31	97	(93.4)	20.1	(4.21♠)	40.2	(6.1)	6.6	July 3	5.7	8	7.8
Waterford Wedgwood ♣	Yr to Dec 31	325	(319.2)	22.6	(10.1)	2.9	(1.27)	0.8	-	nil	0.8	nil
Wilson (Connolly)	Yr to Dec 31	316	(274.5)	38.2	(28.2)	13.5	(10.2)	3.18	June 1	2.86	4.54	4.13
Wood (Arthur)	Yr to Dec 31	4.06	(3.58)	0.28	(0.12)	10.24	(4.9)	4.25	Apr 29	3	4.25	3
World of Leather	Yr to Dec 31	28.7	(27.2)	0.54	(0.12L)	4.7	(2.2L)	0.75	May 19	-	1.5	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
GT Chile Growth ★	Yr to Dec 31	45.57	(33.89)	11.65	(9.4)	0.99	(0.78)	0.8	May 31	0.6	1.2	1.2
Prolific Income	Yr to Jan 31	92.61	(-)	0.479‡	(-)	0.93‡	(-)	0.75	Apr 28	-	0.75	-
River & Merc Amer	Yr to Feb 28	43.01	(49.53)	0.598	(0.562)	7.97	(7.49)	2.4	May 17	2.2	7.8	7.8

Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §USM stock. □Comparatives for 9 months. ✱Includes 2.4p paid as foreign income dividend. ♦Gross income. ★US dollars. ‡For period from Oct 21 to Jan 31.

COMMODITIES AND AGRICULTURE

Japan's coking coal price round coming to a head

By Gerard McCloskey

Difficult and protracted negotiations to set coking coal prices and volumes for the Japanese market are coming to a head this week with the arrival in Tokyo of the main Canadian and Australian suppliers.

Pricing talks have now stretched over more than three months with no settlements put in place with the all-important Australian suppliers who dominate the Japanese, indeed the whole Asian, market.

Some tentative prices have been agreed with Canadian suppliers (rises of $2.85 and $3.85 to $48.30 and $49.30 a tonne, fob Western Canadian ports) but these are conditional on the Australian producere accepting the Canadian prices as benchmarks.

The Australian producers, however, in a unique and powerful alliance with the Australian mining unions are striving to recover from last year's heavy price cuts.

The dam broke last week when one of the US suppliers, Peabody, eventually agreed a settlement with a number of the Japanese mills. As is the custom in the Japanese market, it won a big tonnage increase. Its price increase appears at first sight to be $4.98, hut allowing for an easing of quality restrictions, which lifts sulphur and ash content, it looks more like $5.43.

Such a rise may tempt the Australians, who are seeking an increase of more than $5. But Nippon Steel, leading Japanese negotiator for the Australian supplies, wants to restrict rises to the $3.85 hy which prices fell last year. For the Australians and Canadians the new Peabody price, at $49.30 a tonne, represente precisely that.

A more complex ploy linking the Peabody price to that at which the US's Pittston supplied last year, may mean that the Japanese wish to claim the rise is around $4. But the ocean freight charges from the US are much lower than those from Australia and the coal qualities are radically different – the Australian coals have much lower sulphur levels.

The Nippon Steel negotiators are becoming aware that they are seeking to set a market against a background of extreme shortages of coking coal.

The two big Indian importers, the Steel Authority of India and Visakhapatnam, who have traditionally tendered for their coal supplies rather than buying by contract, have suddenly found that tendering on a tight market is very different from on the over-supplied market of the last few years. Instead of being offered coal at a discount to the Japanese price, both have seen rises of more than $10 in the last two tenders.

Papua New Guinea to float resource group shares

By Nikki Tait in Sydney

The Papua New Guinea govarnment is planning to float shares in the country's Mineral Resources Development Company, which holds around US$1bn-worth of government interests in PNG resource projects, on a public stock exchange before the end of 1996.

It is also lifting the royalty rate on resource projects from 1.25 per cent to 2 per cent, and insisting that future mining and petroleum developments set aside a minimum equity interest to be given free to local landowners – announcements which brought immediate criticism from Australian mining companies with interests in the country.

Sir Julius Chan, PNG'e prime minister, announced the MRDC decision on Monday in Sydney, where he was opening a two-day conference on mining and resource development. He said that it would "nice" if the float could take place on a PNG stock exchange, but made no commitment to having a local exchange up and running in time. The float, he suggested, would probably take place "towards the end of the year".

Sir Julius said that funds raised in the float would be used to "assist in minimising remaining debts in Ok Tedi, Misima and Kutuhu" and provide future working capital.

Ok Tedi is the large copper mine managed by Australia's BHP in the Highlands region, while Misima is a gold mine on Misima Island, east of mainland PNG, managed by Placer Pacific of the US. Kutubu, an onshore oil project run by France'e Chevron, started operations in 1992. Government officials yesterday put the value of MRDC's assets – which also include a stake in large Porgera gold mine – at about US$1bn.

Sir Julius said that, "from this point on, MRDC will the only vehicle for holding future state equity involvement in projects". He did not specify which exchanges outside PNG might be used if a local stockmarket had not been established in time, but the Australian Stock Exchange would be an obvious possibility.

Suggestions that the PNG government would seek to raise funds from the sale of its resource interests surfaced late last year, when the country faced a cash crunch. At that stage, the idea of selling shares in individual projects was mooted, but Sir Julius made clear on Monday that that had now been ruled out. Although he did not epecify reasons, such a move could have created more problems with private sector joint venture partners than the float of a minority interest, say, in a holding company like MRDC.

Separately, Sir Juliue announced some key changes to the country's mining investment regime. He said that royalties were to be increased from 1.25 per cent, to 2 per cent, although additional royalties payment due in a particular tax year would be "considered as tax paid for that financial year". Conversely, the tax rate for mining leases in small and medium-sized projects will be cut from 35 to 25 per cent. A tax credit scheme and support grants will also be extended to small and medium-sized mining companies.

And the prime minister said the future projects would be required to maka a "free" share available to local landowners. "In mining developments. . . a 5 per cent share of the government's 30 per cent will be given free to the landowners, and paid for by everybody, that is the consortium of developers, while on Petroleum Development Licence projects, the figure shall be 2 per cent".

Within hours of his announcement, Mr Lawrie Reinertson, Placer Pacific's managing director, expressed misgivings about the changes. Mr Reinertson told the conference that "the increase to 2 per cent (in the royalty rate). . . is regarded as excessive and invidious", and said he was concerned about the introduction of no-cost equity for landowners.

However, Mr Geoff Loudon, chairman of Niugini Mining, one of the partners in the large Lihir gold project, said be believed the impact on that project would he small. Ha added that, since in that particular case the royalties would flow to Lihirians or the provincial government, "I'm pleased about it".

● PNG officiels yesterdey released a draft policy paper on a new natural gas development regime. Among the recommendations, which are open for industry comment, is e tax rate for the down stream gas sector of 25 per cent, rather than 50 per cent, although tax will remain et the higher level for the upstream sector.

Quebec smelter plan 'only shelved'

By Kenneth Gooding, Mining Correspondent

Partners in the Alouette aluminium smelter in Quebec have not given up hope of doubling its capacity from the present 215,000 tonnes a year even though they have decided not to proceed immediately with the C$1bn project.

Hydro Quebec gave the partners until March 31 to make up their minds. The utility supplies power to Alouette under a 25-year, low-cost, risk and profit-sharing contract. This also would have covered the expansion.

Originally the five partners had to decide by the end of 1994 whether they would increase capacity but Hydro granted an three-month extension as long as the consortium put up a C$5m bond with the Quebec government. The government will now keep this.

The partners in Alonette are VAW Aluminium of Germany, also is the operator; Hoogovens of the Netherlands; Austria Metall; a joint venture between Kobe Steel and Marubeni of Japan; and SGF (Société Générale de Financement), the Quebec-based industrial agency.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-20,350	to 1,244,500
Aluminium alloy	-120	to 27,100
Copper	-4,776	to 251,450
Lead	-950	to 298,050
Nickel	-1,254	to 125,286
Zinc	-11,700	to 1,042,550
Tin	-385	to 23,135

The smelter, abont 850km north-east of Montreal on the north shore of the mouth of the St Lawrence river, was brought into production in 1992 at a cost of nearly C$1.4bn. It is one of the lowest-cost and least-polluting in the world.

It is understood that only two of the partners – the Japanese joint venture and SGF – were in favour of increasing capacity immediately. The others felt there were too many outstanding issues to be settled, such as financing and future municipal taxes.

Nevertheless, "all the owners want to expand the smelter at soma stage because it will reduce the cost per tonne," said Mr Karl Wobbe, the VAW board member responsible for aluminium operations. "It is not gone for ever but it is difficult to say when the expansion will go ahead." He said VAW itself would not need more metal supplies for three or four years. It would take two and a half years to bring the new capacity into operation.

VAW'e management contract lasts until 1997.

Alouette was among several projects that cost a total of nearly C$4bn and boosted Canada's primary aluminium capacity 1991 and 1992 hy 47 per cent to about 2m tonnes.

Government 'cannot afford' Porgera gold mine stake

By Nikki Tait

The Papua New Guinea government yesterday gave further indications that it may not take up the additional 15 per cent of the equity in the large Porgera gold mine that it negotiated to bny two years ago. The deal was struck with the three private sector joint venture partners in the project – Placer Pacific, Highlands Gold, and Renison Gold Fields.

Mr Chris Haiveta, PNG's finance minister, said in Sydney yesterday that the government – known to be cash-etrapped – lecked the resources to fund the purchase. "We still don't have the money to pay for it now, and I have not budgeted for it," he said.

Earlier Mr John Giheno, the country'e mining and petroleum minister, gave similar message to delegates at a PNG investment conference in Sydney.

He said the previous PNG government's decision to lift its stake in Porgera from 10 per cent to 25 per cent would be reviewed later this year and a final decision made in 1995.

The lifting of the Porgera stake has been highly contentious, and a major reason for the poor reputation PNG has among mining industry investors, despite its considerable mineral wealth. The previous government, under prime minister Paias Wingti, claimed that the private sector partners had misled it over the richness of the mine, and accordingly claimed a larger staka. Eventually, it was egreed that the government would buy an additional 5 per cent from each of the partners, for around K140m (US$118).

However, the deal was not completed, and late last year, Sir Julius Chan, the new prime minister, indicated that it might never be.

Yesterday, Mr Haiveta promised a more consistent policy: "We most certainly don't believe in shifting the goalposts half way through the game, as occured with the Porgera equity," he said.

Ghana fails in attempt to join Europe's banana bunch

By James Harding

Ghana's attempt to become a banana exporter has become the latest victim of Europe's fiercely contested banana regime.

Although Ghana is ona of the African, Carihbean and Pacific countries with whom the EU has a preferential access agreement, as a new entrant to the banana trade it has been forced to negotiate a special quota for its produce.

Officials in Brussels yesterday indicated that Ghana had not secured, for this year at least, the quota for 10,000 tonnes imports into the EU, forcing it to "sell elsewhere or wait another year".

The EU banana import policy has been condemned by a disputes panel of the General Agreement on Tariffs and Trade and is the focus of a trade practices investigation by the US.

Officials from Ghana negotiating with the European Commission believe the obstacle to a quota agreement lies with French interests keen to protect tha banana exporters of francophone Africa.

"The French have big markets for bananas from francophone countries, such as the Ivory Coast, Cameroon and Benin. Banana exporters there are not African companies but French companies, so if you want to disturh the market share you have to expect a bit of a struggle," one official at the Ghana trade commission in London said yesterday.

European officials say the agreement with the ACP countries to supply 90,000 tonnes of bananas agreed at the beginning of the month sets out quotas by countries and leaves 5,000 tonnes capacity for new snppliers from the region. "Ghana will have to fight for a share of that 5,000", a Brussels official said yesterday.

The banana problem came as a surprise to tha government of Ghana, the world's third largest cocoa producer, when a company that had traditionally been selling to the domestic market decided to turn its hand to exports.

Volta River Estates is the sole producer of exportable bananas from Ghana, but Ghanaian officials believe the company would easily fulfil a 10,000 tonne quota and would hope to expand on that volume once established in Europe.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1744-6	1783-5
Previous	1719-20	1760-1
High/low	1752/1749	1789/1770
AM Official	1750.5-1	1788-9
Kerb close		1779-80
Open int.	209,800	
Total daily turnover	38,759	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1760-70	1760-70
Previous	1757-62	1760-5
High/low		1875/1770
AM Official	1760-70	1760-70
Kerb close		1765-75
Open int.	2,812	
Total daily turnover	961	

■ LEAD ($ per tonne)

Close	580-1	595-5.5
Previous	574-5	588-8.5
High/low		601.5/595
AM Official	586-7	600-0.5
Kerb close		598-600
Open int.	37,535	
Total daily turnover	5,804	

■ NICKEL ($ per tonne)

Close	7290-320	7420-50
Previous	7145-50	7280-5
High/low	7300	7480/7360
AM Official	7290-300	7435-40
Kerb close		7410-20
Open int.	53,148	
Total daily turnover	12,393	

■ TIN ($ per tonne)

Close	5520-40	5580-600
Previous	5490-500	5560-80
High/low		5620/5570
AM Official	5550-60	5615-20
Kerb close		5590-600
Open int.	20,312	
Total daily turnover	4,298	

■ ZINC, special high grade ($ per tonne)

Close	1016-7	1043-4
Previous	1006-7	1033-4
High/low	1016	1050/1040
AM Official	1016-7	1043-3.5
Kerb close		1049-50
Open int.	97,517	
Total daily turnover	16,241	

■ COPPER, grade A ($ per tonne)

Close	2923-4	2892-3
Previous	2898-900	2880-2
High/low	2938/2935	2902/2892
AM Official	2938-40	2899-901
Kerb close		2894-5
Open int.	227,557	
Total daily turnover	32,513	

■ LME AM Official £/$ rate: 1.5825
LME Closing £/$ rate: 1.5852

Spot:1.5745 3 mths:1.5732 6 mths:1.5699 9 mths:1.5661

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	139.10	+0.10	139.60	139.00	3,523	407
Apr	136.70	-0.25	137.70	136.90	1,897	38
May	134.40	-0.55	135.40	134.30	23,138	6,417
Jun	132.10	-0.60	132.00	132.00	623	4
Jul	130.20	-0.60	131.20	130.20	6,970	119
Aug	128.35	-0.55	-	-	370	2
Total					45,838	7,088

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.70-383.10		
Opening	382.40-382.80		
Morning fix	382.60	241.510	444.313
Afternoon fix	382.90	241.288	444.279
Day's High	383.30-383.70		
Day's Low	382.30-382.70		
Previous close	382.30-382.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.95	6 months	4.72
2 months	4.20	12 months	5.14
3 months	4.41		

Silver Fix	p/troy oz.	US cts equiv.
Spot	298.20	468.75
3 months	300.05	474.40
6 months	305.45	481.85
1 year	316.70	497.00

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	244-247
Maple Leaf	394.00-396.60	-
New Sovereign	89-92	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	382.3	-0.8	-	-	-	-
Apr	382.8	-0.7	384.2	382.5	59,538	15,284
May	384.1	-0.7	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	113.15	-0.85	112.25	112.25	86	3
May	113.00	-1.15	114.50	113.00	1,900	147
Jul	114.25	-1.15	115.60	114.25	462	21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000 bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

Minor Metals [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	963	-24	981	974	2,025	24
May	967	-26	991	967	20,567	5,161
Jul	978	-24	1000	978	12,305	990
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA [illegible]

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]

■ CRB Futures (Base: 1967=100) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	69.425	-0.850	70.375	69.250	37,195	12,212
Jun	64.075	-0.300	64.625	64.000	23,983	5,165
Aug	62.300	+0.050	62.500	62.000	8,734	1,985
Oct	63.600	-	63.975	63.500	5,155	1,236
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME [illegible]

■ COPPER (Grade A) LME [illegible]

■ COFFEE LCE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3100	110	175	132	266

■ COCOA LCE	May	Jul	May	Jul
975	50	30	47	22
1000	39	47	61	14
1025	30	66	77	6

■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1600	96	120	35	73
1650	67	95	56	98
1700	45	72	84	125

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$16.20-6.30z	-0.02
Brent Blend (dated)	$16.72-6.76	+0.01
Brent Blend (May)	$16.74-6.76z	
W.T.I. (1pm est)	$18.34-8.38z	-0.02

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-173	
Gas Oil	$147-148	
Heavy Fuel Oil	$100-101	-4.5
Naphtha	$172-173	-1.0
Jet fuel	$166-168	+0.5
Diesel	$150-152	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

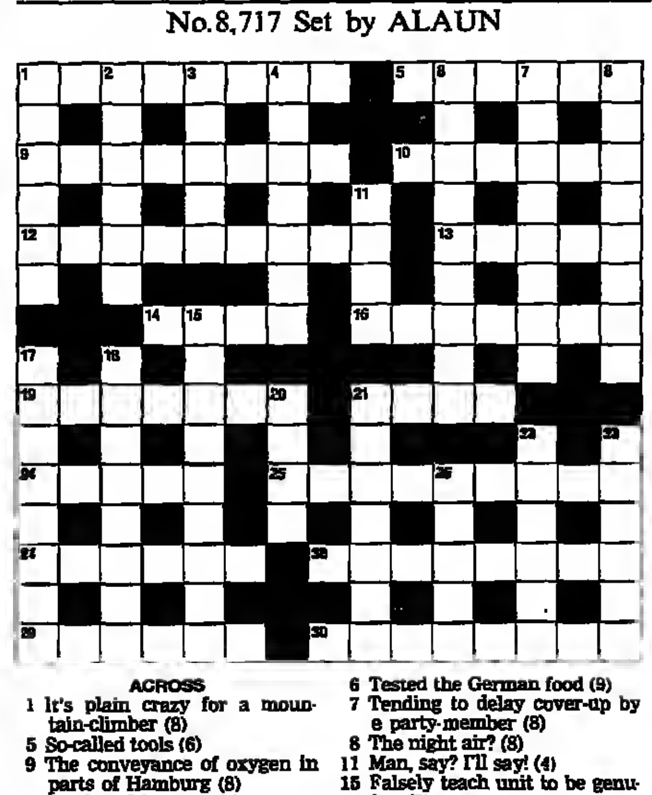
Gold (per troy oz)♣	$382.90	+0.40
Silver (per troy oz)♣	470.50c	+2.00
Platinum (per troy oz.)	$418.65	+0.40
Palladium (per troy oz.)	$166.00	-1.25
Copper (US prod.)	144.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.85m	+0.05
Tin (New York)	281.50c	+1.00
Cattle (live weight)†	122.53p	+1.07*
Sheep (live weight)†♠	129.63p	+3.95*
Pigs (live weight)†	93.34p	-0.29*
Lon. day sugar (raw)	$357.10	+6.00
Lon. day sugar (wte)	$396.00	+5.00
Tate & Lyle export	£340.00	+4.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	122.50p	
Rubber (May)♥	122.50p	
Rubber (KL RSS No1)	462.0m	
Coconut Oil (Phil)§	$822.5u	-12.5
Palm Oil (Malay.)§	$700.0z	-7.5
Copra (Phil)§	$406.0u	-3.0
Soyabeans (US)	£173.0y	+3.0
Cotton Outlook'A' index	110.75c	-1.30
Wooltops (64s Super)	522p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Mar/Apr. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

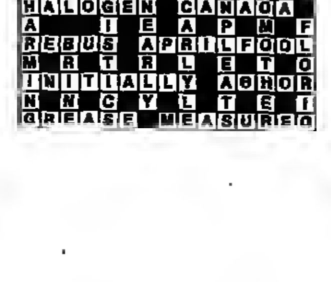
No.8,717 Set by ALAUN



ACROSS
1 It's plain crazy for a mountain-climber (8)
5 So-called tools (6)
9 The conveyance of oxygen in parts of Hamburg (8)
10 Jug in refrigerator (6)
12 One member in scat reformed by Busy Lizzie (9)
13 Epicure's opening a can to dine at home (3,2)
14 An infant born in a tree (4)
16 Bore stopped besieging old city (7)
19 Mad French caper (7)
21 Bolt with bishop in Jag? (4)
24 Plant for southern border (5)
25 Puzzle with clues like this entertaining cheeky jerk, perhaps (9)
27 A new leaf to appear recently (2,4)
28 To embrace amorously in a boat is old-fashioned (8)
29 Frustrate small child getting out of bed (6)
30 Adieu to remote town in Surrey (8)

DOWN
1 Although without a tail, bee settled outside (6)
2 Eager exercises after concert (6)
3 Tennyson's black bat is a flighty thing (5)
4 Dignified sojourn without let-up (7)
6 Tested the German food (9)
7 Tending to delay cover-up by e party-member (8)
8 The night air? (8)
11 Man, say? I'll say! (4)
15 Falsely teach unit to be genuine (9)
17 Throwing of stones forthwith (8)
18 Ducal oil-producer is Spanish leader (8)
20 Fish for tea and start of dinner (4)
21 Repeatedly exclude a Shavian major (7)
22 Light cattle – about five hundred and fifty (6)
23 A bigwig too (2,4)
26 Opportunity for a magnifying glass (5)

Solution 8,716



INTERNATIONAL CAPITAL MARKETS

Treasuries move in line with the dollar

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices were solidly tethered to the fate of the dollar yesterday, as traders took advantage of price movements in bonds to cover short positions.

At midday the benchmark 30-year Treasury was up $\frac{1}{32}$ at $102\frac{21}{32}$ to yield 7.384 per cent. At the short end of the market, the two-year note was unchanged at $100\frac{11}{32}$, yielding 6.663 per cent.

Early in the day, bonds fell as the dollar retreated from late Monday levels against the D-Mark and the yen. By late morning, however, prices turned positive as the dollar approached its Monday levels against the yen and pushed higher against the D-Mark.

Near midday, the dollar was changing hands at Y89.26 and DM1.4145 against Y89.31 and DM1.4030 late on Monday.

Analysts attributed some of the increases in the bond market to traders covering short positions while prices were lower.

For most of last week, the market ignored the currency market and continued to rally despite the weakness in the dollar, which usually has the effect of decreasing foreign demand for US securities.

This week, however, there is little economic data for traders to watch, so more attention has been focused on the dollar.

Although the Federal Reserve's Open Market Committee will meet next Tuesday, little attention has been focused on the meeting because there is little dissension from the consensus that the cantral bank will not change monetary policy.

■ European government bonds had another quiet day, reflecting relative calm on the currency markets.

Italy was the best performer, with bonds rising nearly 1¼ points on the back of a firmer lira and the latest set of inflation data.

The City of Bologna released data indicating that consumer prices increased by 4.8 to 4.9 per cent on the year. Although the numbers were in line with most market expectations, they cheered those who had forecast a stronger rise.

GOVERNMENT BONDS

The Italian market got another boost when Mr Silvio Berlusconi's party, Forza Italia, withdrew most of its amendments to prime minister Mr Lamberto Dini's mini-budget in the Senate, where the package is awaiting final approval.

Also propelling prices higher was the BTP futures contract's breach of several key technical resistance points.

The June contract ended the day at 93.75, up 1.44. The yield spread of the 10-year Italian benchmark bond over its German counterpart narrowed by 26 basis points to 634 points.

■ UK gilts were boosted by sterling's continued recovery against the D-Mark, but dealers said flows were thin and that investors were on the sidelines waiting for the result of last night's House of Commons vote on the European Union's Common Agricultural Policy.

As expected, the Bank of England announced that next week's auction will be for £2bn of the 8 per cent gilt due 2015. The June long gilt futures contract on Liffe rose ¼ to $103\frac{7}{16}$.

■ German bunds posted small gains in moderate turnover, supported by hopes of weak M3 and inflation data, which are expected to he released this week. The June bund future on Liffe rose by 0.09 to 92.23.

The Bundesbank published the government's issuance calendar for the second quarter, which features one 10-year bond and one four-year note, both of which are to be issued in May.

Bonn's decision not to issue more five-year notes before the expiry of the June Bobl future triggered a squeeze in the medium-term contract.

"The decision to issue a four-year bond rather than a five-year in May is a negative factor in terms of market liquidity," said Mr Karl Haeling, head of Deutsche Bank's futures and options group.

Mr Haeling warned that the lack of a predictable auction schedule from the German government risks alienating investors, particularly those from abroad.

Moreover, "there is a danger that the Bohl contract will see a reduced status as a benchmark of the five-year sector," he said.

Romania returns after 15-year self-imposed exile

By Antonia Sharpe

After a self-imposed exile of 15 years, Romania is returning to the international capital market with a syndicated loan of $75m. The one-year loan, which is being arranged by Citihank, marks an important step in the country's quest to become a free-market economy after decades of communist rule.

Mr Vlad Soare, deputy governor of the National Bank of Romania, the country's central bank, said yesterday that the main aim of the loan was to allow Romania to regain access to the international capital markets.

"I believe that the Romanian banking system and the country in general have paid for the financial errors made in the early 1980s," Mr Soare said by telephone from Bucharest. "We want to become once again a partner in the international credit community."

In 1981, Romania was unable to finance a roll-over loan, which forced it into a general default on its foreign debt. Although the debt was rescheduled, the government, then under the control of the communist dictator Nicolae Ceausescu, repaid the entire debt in advance and then closed its doors to foreign capital.

SYNDICATED LOANS

In recent years, however, Romania has borrowed money from the International Monetary Fund, the World Bank, the European Union and the Group of 24 leading industrial countries. Its outstanding debt to these lenders stands at about $4bn.

Citihank officials said Romania did not need to borrow more money but it wanted to use the loan to establish a track record with western banks.

"Romania is ready to come to market," said Mr David Garner, Citibank's regional business manager for central and eastern Europe. "It is taking the necessary steps to change from a command economy to a market economy and it wants to be seen to he developing into a serious player."

Romania is likely to pay an interest margin of around 275 basis points over the London interbank offered rate (Libor) on the loan, which Citibank will start syndicating today.

Citihank officials reported widespread interest in the deal, which they said reflected the current drive among commercial banks to find new credits.

The proceeds of the loan will be used to boost Romania's foreign exchange reserves. The country is also believed to be close to appointing a bank to steer it through the process of getting an international credit rating. An official rating would greatly enhance Romania's attraction to international investors.

Securitised issue in sterling from Kuwait bank

By Antonia Sharpe

The United Bank of Kuwait raised £108.8m yesterday through an offering of bonds backed by the bank's commercial property loans in the UK.

Lead manager Goldman Sachs said this was the first securitisation by UBK and that it followed a similar deal hy Bristol & West, the UK building society, last December.

INTERNATIONAL BONDS

The hulk of UBK's offering – £91.4m worth – was made up of bonds with a triple A rating issued via a special-purpose vehicle called Acres. They were sold to about a dozen UK accounts, Goldman said. The bonds were trading at tbeir fixed re-offer price of 99.90 in the late afternoon.

Securitisation – which enables banks to free up capital – has been slow to take on in the UK hut the larger clearing banks are thought to be interested in securitising their commercial property loans in the near future.

Elsewhere, the Kingdom of Belginm raised SFr200m through its first public offering in the Swiss bond market. Previously, legal constraints meant that Belgium was limited to private placements.

Tha seven-year bonds were trading at less 2.40, less 2.20, within fees, in the late afternoon. Belgium is also believed to ha considering a D-Mark eurobond issue.

As expected, there was further eurodollar issuance, with Commerzbank raising $200m via an offering of four-year bonds. Trading in the issue was volatile after syndicate broke, with the spread widening to 21 basis points over the interpolated yield curve from 15 basis points.

Commerzbank, which led the issue itself, said trading started in the high teens to deter syndicate members from immediately selling back the bonds. However, the spread was expected to stabilise in the coming days. The bonds are aimed at German retail investors who believe that the dollar is oversold.

● Investec Bank, South Africa's sixth largest bank in terms of assets, has set up a $150m eurocommercial paper programme. Arranger and sole dealer Citibank said the programme was the first for a South African borrower. Investec is likely to pay interest of 50 to 60 basis points over Lihor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Commerzbank Overseas Fin.(a)	200	7.125	R99.876	Apr.1999	R0.225	-	Commerzbank
STERLING							
Acres No.1(d)‡	91.4	(d)	R99.90	Mar.2005	R0.375	-	Goldman Sachs Intl.
Acres No.1(e)‡	12	(e)	R99.83	Mar.2005	R1.00	-	Goldman Sachs Intl.
SWISS FRANCS							
Kingdom of Belgium	200	5.25	102.875	May.2002	2.50	-	Credit Suisse
ITALIAN LIRE							
European Inv. Bank(b)	500bn	10.80	97.94	Mar.1999	1.50	-	BCI/BNL/JPM/San Paulo
Bayerische Hypo-Bank(c)	225bn(c)	12.00	100.775	Oct.1997	1.375	-	SBC

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ✦Unlisted. §Convertible. ¢With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Long first coupon. b) Tranche of existing Lire750bn deal launched 7.2.95. c) Amount includes Lire150bn issue launched 7.3.95 at 100.925. d) Tranche A of £103.4m deal. Callable on every payment day at par once principal amount outstanding has been lowered to 10%. Coupon pays 3-month Libor + 20bp. e) Tranche B (Mezzanine Notes) of £103.4m deal. Call conditional on Tranche A being called. Coupon pays 3-month Libor + 90bp.

CBoT to launch 'green' board

By Laurie Morse in Chicago

The Chicago Board of Trade expects to launch an electronic bulletin board for trading recyclable commodities late this year.

The Recycling Partnership, ona of several CBoT experiments with green markets, received a $200,000 grant this week from the US Environmental Protection Agency to support the initiative. The group first announced plans for a centralised casb market in recyclahles last year.

The CBoT is seeking to build a transparent cash market in recyclahle commodities as a precursor to futures and options markets in the products, which include glass, aluminium and plastic.

The Recycling Partnership also includes the National Recycling Coalition's Recycling Advisory Council, the Clean Washington Center, and the New York State Office of Recycling Market Development.

With rapid growth of recycling programmes in the last decade, sellers have been trying to find reliable markets for their materials, while manufacturers which have made major investments to use recycled materials are struggling to find consistent high-quality supplies to feed their factories.

The Recycling Partnership seeks to create a central marketplace to bring these buyers and sellers together.

In another green market programme, the CBoT will host the third annual clean air allowance auction in Chicago on March 27.

In this year's auction, which the CBoT conducts for tbe EPA, 22,306 sulphur dioxide emissions permits will he offered for sale by private utilities. They will only be sold if prices reach reserve levels designated by the utilities.

Another 175,000 emission allowances will be sold directly hy the EPA. These do not have reserve prices and will be sold to the highest hidder.

At a similar auction held in 1994, the government-offered allowances sold for as low as $150 each. At that auction, none of the privately-offered allowances were sold because prices did not move above reserve bid levels.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.8700	+0.170	10.19	10.08	10.18
Austria		7.500	01/05	100.5700	+0.130	7.41	7.56	7.61
Belgium		7.750	10/04	98.1300	+0.280	8.03	8.19	8.22
Canada *		9.000	12/04	102.0500	-0.050	8.68	8.57	8.93
Denmark		7.000	12/04	87.7700	+0.320	8.93	8.97	8.83
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.3400	+0.540	7.88	8.02	7.95
Germany Bund		7.375	01/05	101.5700	-0.040	7.14	7.27	7.36
Ireland		8.250	10/04	83.0000	+0.050	8.81†	8.81	8.79
Italy		9.500	01/05	80.2600	+0.580	13.14	13.08	11.85
Japan	No 119	4.800	06/99	106.1640	-	3.21	3.47	3.93
	No 174	4.600	09/04	104.4120	-	3.98	4.10	4.64
Netherlands		7.750	03/05	103.0000	+0.180	7.31	7.42	7.52
Portugal		11.875	02/05	99.3000	-0.050	11.98	11.92	11.65
Spain		10.000	02/05	86.9500	+1.770	12.32	12.23	11.49
Sweden		6.000	02/05	69.7370	+0.457	11.22	11.11	10.68
UK Gilts		6.000	08/99	91-20	+4/32	8.33	8.44	8.44
		8.500	12/05	100-20	+8/32	8.41	8.53	8.48
		9.000	10/08	104-21	+7/32	8.42	8.52	8.47
US Treasury *		7.500	02/05	102-21	-2/32	7.12	7.12	7.54
		7.625	02/25	102-27	-2/32	7.39	7.40	7.68
ECU (French Govt)		6.000	04/04	85.0800	+0.430	8.41	8.54	8.38

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	9	One month	5.90	Two year	6.70
Broker loan rate	6½	Two month	5.89	Three year	6.81
Fed.funds	6	Three month	5.93	Five year	6.98
Fed.funds at intervention	-	Six month	6.17	10-year	7.15
		One year	6.37	30-year	7.42

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.32	112.70	+0.54	112.82	112.30	145,764	119,017
Sep	112.06	112.38	+0.50	112.38	112.04	563	5,952
Dec	111.96	111.96	+0.18	111.96	111.68	2	1,539

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
110	-	2.20	-	0.11	0.63	1.21
111	1.80	1.54	-	0.22	0.91	1.57
112	0.85	1.02	-	0.66	1.35	-
113	0.32	0.58	-	-	-	-
114	0.07	0.29	-	-	-	-

Est. vol. total, Calls 17,980 Puts 29,617 . Previous day's open int., Calls 156,687 Puts 209,762.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.11	92.23	+0.19	92.36	92.05	127081	185065
Sep	91.85	91.73	+0.18	91.85	91.91	195	2126

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
9200	0.37	0.75	1.00	1.14	0.14	0.52	0.77	1.41
9250	0.13	0.51	0.78	0.91	0.40	0.78	1.08	1.68
9300	0.03	0.32	0.55	0.72	0.80	1.09	1.32	1.99

Est. vol. total, Calls 14889 Puts 6732. Previous day's open int., Calls 162945 Puts 146889

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.00	93.75	+1.44	93.90	92.00	49676	51443
Sep		93.05	+1.34			0	37

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9350	2.08	2.70	1.81	3.15
9400	1.80	2.48	2.05	3.43
9450	1.56	2.27	2.31	3.72

Est. vol. total, Calls 2546 Puts 3882. Previous day's open int., Calls 37076 Puts 25750

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	80.69	81.35	+0.78	81.39	80.55	59,306	44,061

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103-05	103-08	0-06	103-10	103-05	3142	14172
Jun	103-06	103-14	0-08	103-20	103-06	41144	67797

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
103	0-38	1-14	1-39	2-11	0-10	0-50	1-11	1-61
104	0-08	0-45	1-06	1-45	0-44	1-17	1-42	2-31
105	0-01	0-23	0-45	1-20	1-37	1-59	2-17	3-06

Est. vol. total, Calls 3517 Puts 6044. Previous day's open int., Calls 36426 Puts 51828

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	82.90	82.28	+0.42	82.36	82.00	2,343	8,283

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	104-19	104-12	-0-08	104-21	104-11	19,127	28,210
Jun	104-03	103-26	-0-08	104-05	103-25	205,229	328,565
Sep	103-20	103-13	-0-08	103-23	103-12	3,399	14,833

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	112.30			112.59	112.30	997	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Mar 21	Day's change %	Mon Mar 20	Accrued interest	xd adj. ytd		Low coupon yield Mar 21	Low Mar 20	Low Yr. ago	Medium coupon yield Mar 21	Medium Mar 20	Medium Yr. ago	High coupon yield Mar 21	High Mar 20	High Yr. ago
1 Up to 5 years (24)	119.56	+0.08	119.58	1.66	2.65	5 yrs	8.39	8.41	6.66	8.42	8.44	6.91	8.56	8.59	7.02
2 5-15 years (21)	140.88	+0.14	140.69	1.86	3.18	15 yrs	8.33	8.35	7.42	8.43	8.45	7.52	8.65	8.67	7.79
3 Over 15 years (9)	157.67	+0.27	157.25	1.37	4.05	20 yrs	8.30	8.33	7.56	8.43	8.45	7.54	8.58	8.61	7.80
4 Irredeemables (6)	181.96	+0.39	181.26	2.99	1.47	Irred.†	8.35	8.38	7.69						
5 All stocks (60)	137.67	+0.14	137.52	1.74	3.13										

Index-linked	Tue Mar 21	Day's change %	Mon Mar 20	Accrued interest	xd adj. ytd		Inflation 5% Mar 21	Inflation 5% Mar 20	Inflation 5% Yr. ago	Inflation 10% Mar 21	Inflation 10% Mar 20	Inflation 10% Yr. ago
6 Up to 5 years (2)	189.45	+0.09	190.41	-0.17	2.57	Up to 5 yrs	3.54	3.57	2.75	2.28	2.30	1.93
7 Over 5 years (11)	175.71	+0.01	175.69	0.64	1.28	Over 5 yrs	3.85	3.85	3.37	3.67	3.67	3.21
8 All stocks (13)	176.23	+0.02	176.31	0.56	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 21	Mar 20	Mar 17	Mar 16	Mar 15	Yr ago	High*	Low*
Govt. Secs. (UK)	92.01	91.88	91.86	92.01	91.74	99.05	107.04	89.54
Fixed Interest	110.58	110.29	110.39	110.23	109.83	119.79	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Mar 20	Mar 17	Mar 16	Mar 15	Mar 14
Gilt Edged bargains	96.5	95.2	87.9	133.1	83.0
5-day average	99.2	100.6	111.9	135.9	131.2

FT/ISMA INTERNATIONAL BOND SERVICE

UK GILTS PRICES

CURRENCIES AND MONEY

MARKETS REPORT

Sterling shakes off departure of Pennant-Rea

Sterling showed no response yesterday to the resignation of Mr Rupert Pennant-Rea, deputy governor of the Bank of England, *writes Philip Gawith.*

The announcement coincided with a rally in the dollar and this was sufficient to offset any negative impact. The news was also largely in the price anyway, following weekend press revelations.

Helped by the firmer dollar, sterling finished in London at DM2.2321, from DM2.2105, and at \$1.5803, from \$1.582. Later, it was trading around DM2.24, more than five pfennigs above the historic low of DM2.1890 reached last Thursday.

Otherwise, the feature of the markets was a sharp bout of profit-taking on the D-Mark, which saw it lose ground across the board. In Europe the most conspicuous winner was the lira, which closed at L1,205, up from L1,240. Other weak currencies like the Swedish krona, the peseta and the escudo also made solid gains.

The dollar also finished firmer against the D-Mark, closing at DM1.4125 from DM1.3973. Earlier it had sunk to a fresh low against the yen of Y88.35 before recovering to finish at Y89.25.

The dollar's recovery was helped by the Bank of Japan scotching a rumour that it would be able to accept the dollar trading in the Y78-82 range.

Overall, markets were very quiet, with traders reporting a stalemate situation. A bad set of trade figures in the US today could be the trigger for a further fall in the dollar.

■ The main reason why markets remain pessimistic about the dollar, while maintaining faith in the D-Mark, is that there has been no change in the policies, politics or economics which caused these moves in the first place.

What has been lacking in policy changes, however, has been more than made up for in the form of "verbal intervention". Leading the charge again was Mr Hans Tietmeyer, president of the Bundesbank. Speaking at the end of the Franco-German economic summit in Paris, he reiterated his recent message that the dollar was undervalued in relation to fundamentals.

He also said that EMS currencies were undervalued, and should return closer to their central rates.

He went out of his way to stress that the French franc would not fall to its lower intervention level, of FFr3.89 against the D-Mark.

Mr Tietmeyer said the criteria for economic and monetary union had to be met, but sounded more emollient than of late when he added that they need not "necessarily" be hardened.

Mr Jean-Claude Trichet, governor of the Bank of France, also said the dollar was "grossly undervalued", but put the ball firmly in the US court by saying the Fed needed to take "convincing" action to stabilise it.

■ Yesterday's correction in the D-Mark was described by one observer as "a bit of an extended reversal in the volatile move to the upside." The fact that it was largely confined to market professionals suggests it represents a correction, rather than a turnaround, to the trend.

The currencies that benefited most were those that had been weakest in the first place. The general move to take profits did not appear to be related to the flurry of comments about the dollar being undervalued.

Mr Malcolm Barr, international economist at Chemical Bank in London, said it was "suspicious" that Bundesbank officials should suddenly be on the screens every day, telling exactly the same story. He surmised that while the Bundesbank was anxious to be a "good European", it would not make decisions which were inconsistent with domestic economic realities.

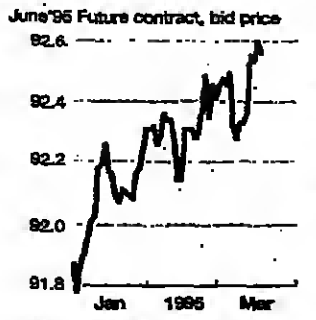
A cut in interest rates, which would help relieve currency market tensions, was thus off the agenda so long as there remained evidence of wage pressures, even if there was evidence of the strong D-Mark hurting German exporters.

The Bundesbank was thus left with the weapon of verbal intervention as a proxy for what the market would really like to hear: that the Bundesbank favours a weaker D-Mark, or plans to cut interest rates.

■ The Bank of England provided £680m late assistance, and £110m at established rates, after forecasting a £850m money market shortage. Cash market rates remained easy, while short sterling futures continued their rebound from the bearish sentiment at the end of last week.

Short sterling

June'95 Future contract, bid price



Source: FT Graphite

■ Pound in New York

Mar 21	Latest	Prev. close
£ spot	1.5855	1.5745
1 mth	1.5852	1.5743
3 mth	1.5840	1.5731
1 yr	1.5727	1.5609

■ OTHER CURRENCIES

Mar 21	£	$
Hungary	185.491 - 186.732	118.040 - 118.140
Iran	2762.89 - 2764.83	1748.00 - 1750.00
Kuwait	0.4670 - 0.4675	0.2956 - 0.2958
Poland	3.7222 - 3.7288	2.3580 - 2.3590
Russia	7640.83 - 7641.29	4834.00 - 4837.00
U.A.E.	5.8011 - 5.8052	3.6718 - 3.6728

POUND SPOT FORWARD AGAINST THE POUND

Mar 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7105	+0.1505	003 - 206	15.7206	15.5157	15.5476	1.0	15.5138	1.2	-	-	107.9
Belgium	(BFr)	48.0564	+0.4092	383 - 745	46.1370	45.5650	45.6622	-0.4	45.6272	0.2	45.3172	0.7	110.2
Denmark	(DKr)	6.9387	+0.0638	343 - 430	6.9556	6.8510	6.8867	-1.8	6.8676	0.3	6.8464	0.3	108.1
Finland	(FM)	6.9545	+0.0278	484 - 606	6.9850	6.8940	-	-	-	-	-	-	86.5
France	(FFr)	7.9015	+0.0265	990 - 041	7.9250	7.8449	7.8925	-2.7	7.9188	-2.2	7.8959	+0.3	109.2
Germany	(DM)	2.2321	+0.0216	308 - 334	2.2377	2.2072	2.2081	1.3	2.2019	1.6	2.1657	2.0	113.7
Greece	(Dr)	365.828	+3.166	668 - 988	366.165	362.131	-	-	-	-	-	-	68.4
Ireland	(I£)	1.0071	+0.0031	999 - 023	1.0062	0.9956	0.9973	0.6	0.9957	0.5	0.9961	0.0	95.6
Italy	(L)	2690.14	-51.34	899 - 129	2748.62	2687.79	2754.16	-5.6	2777.68	-5.3	2865.03	-4.6	65.9
Luxembourg	(LFr)	46.0564	+0.4092	383 - 745	46.1370	45.5650	45.6622	-0.4	45.6272	0.2	45.3172	0.7	110.2
Netherlands	(Fl)	2.5009	+0.0213	998 - 022	2.5060	2.4739	2.477	1.3	2.4703	1.5	2.4316	1.8	110.4
Norway	(NKr)	9.9501	+0.0672	455 - 546	6.6756	9.8689	9.8835	1.1	9.8676	1.0	6.7638	1.3	99.6
Portugal	(Es)	234.825	+0.934	694 - 956	236.650	233.198	234.666	-4.1	236.396	-4.3	-	-	97.2
Spain	(Pta)	204.959	+1.362	834 - 083	205.265	202.831	204.227	-3.7	205.327	-3.4	209.952	-3.1	77.3
Sweden	(SKr)	11.5051	+0.0016	966 - 136	11.5136	11.4109	11.5053	-0.2	11.5092	-0.2	11.5209	-0.2	79.0
Switzerland	(SFr)	1.8521	+0.0131	509 - 533	1.8544	1.8317	1.8346	2.8	1.8257	2.9	1.777	3.4	113.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.6
Ecu	-	1.2244	+0.0054	236 - 251	1.2254	1.2150	1.2199	+0.8	1.2207	-0.6	1.2154	0.3	-
SDR†	-	1.02990	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5804	-0.0023	799 - 808	1.5895	1.5759	-	-	-	-	-	-	-
Brazil	(R$)	1.4191	-0.0197	172 - 210	1.4405	1.4172	-	-	-	-	-	-	-
Canada	(C$)	2.2238	+0.0061	229 - 247	2.2401	2.2169	2.2334	-1.9	2.2387	-1.6	2.24	-0.5	80.7
Mexico	(New Peso)	11.1566	+0.3202	909 - 223	11.2223	11.1717	-	-	-	-	-	-	-
USA	($)	1.5803	-0.0017	799 - 808	1.5895	1.5757	1.5818	0.2	1.5806	0.4	1.589	0.5	87.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1756	-0.0036	744 - 768	2.1768	2.1740	2.1821	-1.8	2.188	-1.8	2.2117	-1.5	80.4
Hong Kong	(HK$)	12.2173	+0.0126	142 - 204	12.2664	12.1690	12.2295	0.0	12.2302	0.0	12.2235	0.1	-
India	(Rs)	49.7779	-0.0298	590 - 968	50.0910	49.6440	-	-	-	-	-	-	-
Israel	(Shk)	4.6842	-0.0059	790 - 893	4.6967	4.6830	-	-	-	-	-	-	-
Japan	(Y)	141.037	-0.429	927 - 146	141.430	140.270	140.976	4.2	139.861	4.5	133.971	5.3	162.0
Malaysia	(M$)	4.0297	+0.0045	280 - 313	4.0508	4.0176	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4457	+0.0053	442 - 471	2.4471	2.4437	2.4571	-3.0	2.4675	-2.7	2.4876	-1.5	96.6
Philippines	(Peso)	40.6125	+1.067	875 - 375	40.9375	40.2875	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9266	+0.0064	246 - 282	5.9609	5.9097	-	-	-	-	-	-	-
Singapore	(S$)	2.2336	-0.0021	327 - 345	2.2462	2.2285	-	-	-	-	-	-	-
South Africa	(R)	5.7328	+0.0068	295 - 360	5.7586	5.7193	-	-	-	-	-	-	-
South Korea	(Won)	1220.66	-4.48	031 - 101	1227.73	1217.23	-	-	-	-	-	-	-
Taiwan	(T$)	41.0736	-0.0038	890 - 877	41.3095	40.9271	-	-	-	-	-	-	-
Thailand	(Bt)	39.0636	-0.0421	393 - 882	39.2610	38.9450	-	-	-	-	-	-	-

†SDR rates per £ for Mar 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.9416	+0.1068	375 - 460	9.9460	9.8225	9.9318	1.2	9.9113	1.2	9.8408	1.0	108.3
Belgium	(BFr)	29.1450	+0.29	400 - 500	29.1650	28.8300	29.155	-0.4	29.15	+0.5	29.115	0.1	110.3
Denmark	(DKr)	5.6565	+0.0464	550 - 580	5.6555	5.5938	5.665	-1.8	5.6835	-1.9	5.724	-1.2	107.4
Finland	(FM)	4.4009	+0.0223	980 - 038	4.4143	4.3644	4.4014	+0.1	4.4016	+0.1	4.3929	0.2	85.4
France	(FFr)	5.0002	+0.0221	997 - 007	5.0100	4.9550	5.0107	-2.5	5.0292	-2.3	5.0614	-1.0	108.7
Germany	(DM)	1.4125	+0.0162	120 - 130	1.4145	1.3954	1.4111	1.2	1.4083	1.2	1.3955	1.2	113.6
Greece	(Dr)	231.500	+2.25	450 - 650	231.820	228.770	234	-13.0	238.25	-11.7	256	-10.5	68.1
Ireland	(I£)	1.5785	+0.0067	770 - 800	1.5908	1.5720	1.5793	+0.6	1.5817	-0.8	1.5917	+0.8	-
Italy	(L)	1702.35	-30.63	200 - 270	1742.50	1696.30	1710.6	-5.5	1728.85	-5.8	1795.35	-5.5	63.5
Luxembourg	(LFr)	29.1450	+0.29	400 - 500	29.1650	28.8300	29.155	-0.4	29.18	+0.5	29.115	0.1	110.3
Netherlands	(Fl)	1.5826	+0.0151	821 - 831	1.5847	1.5615	1.5812	1.1	1.5781	1.1	1.5647	1.1	110.1
Norway	(NKr)	6.2965	+0.0429	950 - 980	6.3091	6.2352	6.291	1.0	6.2855	0.7	6.2665	0.5	98.6
Portugal	(Es)	148.600	+0.75	550 - 850	149.400	147.300	149.16	-4.5	150.37	-4.8	155.35	-4.5	97.3
Spain	(Pta)	129.700	+1	650 - 750	129.850	128.650	130.12	-3.9	130.91	-3.7	134.675	-4.0	77.3
Sweden	(SKr)	7.2806	+0.009	768 - 843	7.2848	7.2057	7.2943	-2.3	7.3241	-2.4	7.4721	-2.5	78.2
Switzerland	(SFr)	1.1720	+0.0085	715 - 725	1.1730	1.1575	1.1694	2.6	1.1648	2.5	1.1427	2.5	114.0
UK	(£)	1.5803	-0.0017	799 - 808	1.5895	1.5757	1.5801	0.2	1.5789	0.4	1.5673	0.8	84.0
Ecu	-	1.2907	-0.0071	902 - 912	1.3034	1.2902	1.2895	1.1	1.2876	0.9	1.2832	6.6	-
SDR†	-	0.65000	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-0.0004	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	0.8980	-0.0115	970 - 990	0.9090	0.8970	-	-	-	-	-	-	-
Canada	(C$)	1.4073	+0.0023	070 - 075	1.4087	1.4053	1.4098	-2.1	1.4142	-1.6	1.4261	-1.3	79.5
Mexico	(New Peso)	7.0800	+0.21	200 - 000	7.1000	7.0200	7.0822	+0.4	7.0654	-0.3	7.0703	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3767	+0.0007	763 - 772	1.3797	1.3882	1.3785	-1.6	1.3833	-1.9	1.4079	-2.3	51.3
Hong Kong	(HK$)	7.7313	+0.0004	310 - 315	7.7315	7.7310	7.7302	0.2	7.7343	-0.2	7.7698	-0.5	-
India	(Rs)	31.5000	+0.015	950 - 050	31.5400	31.4950	31.58	-3.0	31.825	-4.1	-	-	-
Israel	(Shk)	2.9642	-0.0005	618 - 668	2.9682	2.9511	-	-	-	-	-	-	-
Japan	(Y)	89.2500	-0.175	000 - 000	89.4300	88.4000	88.95	4.0	88.33	4.1	85.255	4.5	162.4
Malaysia	(M$)	2.5500	+0.0002	495 - 505	2.5505	2.5490	2.546	0.9	2.5455	0.7	2.54	0.4	-
New Zealand	(NZ$)	1.5475	-0.0017	470 - 482	1.5509	1.5383	1.5513	-2.9	1.5583	-3.1	1.5826	-2.3	-
Philippines	(Peso)	25.7000	+0.715	000 - 000	25.9000	25.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7506	3.7505	3.7513	-0.3	3.7534	-0.3	3.7654	-0.4	-
Singapore	(S$)	1.4135	+0.0002	132 - 137	1.4139	1.4123	1.4083	4.5	1.4	3.8	1.3735	2.8	-
South Africa	(R)	3.6278	+0.0005	265 - 290	3.6290	3.6220	3.6458	-6.0	3.6831	-6.1	3.8771	-6.9	-
South Korea	(Won)	772.450	-2	400 - 500	774.100	772.400	775.45	-4.7	775.95	-3.4	797.45	-3.2	-
Taiwan	(T$)	25.9920	+0.0255	890 - 950	25.9950	25.9630	26.012	-0.6	26.052	-0.6	-	-	-
Thailand	(Bt)	24.7200	-	100 - 300	24.7300	24.7010	24.741	-1.0	24.7875	-0.6	24.855	-0.5	-

†SDR rate per $ for Mar 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 20. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	6⅝	6¾	6¾	6⅞	7.40	4.50	-
week ago	6½	6⅞	6⅞	6⅞	6⅞	7.40	4.50	-
France	7⅞	8½	8½	8¼	7⅞	6.00	-	8.00
week ago	7⅞	8½	8⅞	8⅞	8⅞	5.00	-	8.00
Germany	4.90	4.95	5.00	5.15	5.45	6.00	4.50	4.85
week ago	4.93	4.95	5.05	5.15	5.53	6.00	4.50	4.85
Ireland	5⅛	6⅛	7	7⅛	7⅞	-	-	6.25
week ago	5⅛	6⅛	7	7⅛	7⅞	-	-	6.25
Italy	10⅞	11⅛	11⅞	12⅛	12⅜	-	7.50	10.40
week ago	8⅞	11⅛	10.8	11½	11¾	-	7.50	10.10
Netherlands	4.97	5.02	5.11	5.26	5.60	-	5.25	-
week ago	4.90	5.02	5.12	5.30	5.70	-	5.25	-
Switzerland	3⅜	3⅞	3⅞	3⅞	4⅛	6.625	3.50	-
week ago	3	3⅞	3¾	3⅞	4¼	6.625	3.50	-
US	5⅞	6⅛	6⅛	6¾	6⅞	-	5.25	-
week ago	5⅞	6⅛	6⅛	6⅛	6⅜	-	5.25	-
Japan	2⅛	2⅛	2¼	2¼	2⅜	-	1.75	-
week ago	2⅛	2⅛	2¼	2⅛	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅝	6¾	-	-	-
week ago	-	6⅛	6¼	6⅞	6⅞	-	-	-
US Dollar CDs	-	5.67	6.06	6.20	6.52	-	-	-
week ago	-	5.87	6.04	6.24	6.58	-	-	-
SDR Linked Ds	-	4⅞	4⅞	5⅛	5⅛	-	-	-
week ago	-	4⅞	4½	4⅝	4⅞	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6¾; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅛ - 5⅞	6⅛ - 6⅛	6½ - 6⅜	6⅝ - 6½	6¾ - 6⅝	6⅞ - 6⅞
Danish Krone	7¼ - 7	7¼ - 7	7¾ - 7½	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝
D-Mark	4⅞ - 4¾	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5	5⅞ - 5⅞
Dutch Guilder	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5	5¼ - 5⅛	5⅝ - 5⅜
French Franc	8¼ - 7¾	8¼ - 7¾	8½ - 8	6½ - 6	6¼ - 7¾	6 - 7½
Portuguese Esc.	11 - 10½	11 - 10½	11¼ - 10¾	11¼ - 10⅞	11½ - 11	12 - 11½
Spanish Peseta	8¾ - 8⅝	9⅛ - 8⅞	9½ - 9¾	9⅞ - 9¾	10⅛ - 10⅛	10⅞ - 10¾
Sterling	6¾ - 6½	6⅝ - 6⅞	6⅞ - 6¼	6¾ - 6⅝	7⅛ - 7	7¾ - 7⅝
Swiss Franc	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3¾	4⅛ - 4
Can. Dollar	8¼ - 6	6 - 7⅞	8⅛ - 6	8⅛ - 6	8⅛ - 6	8⅛ - 6
US Dollar	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6	6¼ - 6⅛	6⅞ - 6⅛	6¾ - 6⅝
Italian Lira	10½ - 9	10⅝ - 10½	11⅞ - 11⅛	11⅞ - 11⅞	12⅛ - 11⅞	12⅞ - 12⅞
Yen	2⅞ - 2¼	2¼ - 2⅞	2¼ - 2⅞	2⅞ - 2⅛	2⅛ - 2	2⅛ - 2
Asian $Sing	½ - ¼	1⅛ - 1	1⅞ - 1⅞	2¾ - 2⅛	2¾ - 2⅝	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.03	92.26	+0.34	92.30	92.03	47,108	60,822
Sep	93.00	93.07	+0.16	93.11	92.97	11,435	34,723
Dec	93.20	93.25	+0.12	93.32	93.20	6,604	21,979
Mar	93.15	93.17	+0.07	93.21	93.15	4,003	16,214

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.54	+0.03			0	570
Sep		93.32	+0.03			0	384
Dec		93.12	+0.02			0	270
Mar		93.12	+0.03			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.90	94.89	+0.02	94.92	94.87	32634	210846
Sep	94.62	94.62	+0.04	94.66	94.61	28916	162551
Dec	94.28	94.29	+0.05	94.33	94.27	25770	119043
Mar	93.97	93.97	+0.05	94.01	93.96	7662	65427

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	87.49	88.22	+0.74	88.30	87.40	18708	41216
Sep	88.00	88.39	+0.43	88.45	87.93	4749	26571
Dec	88.15	88.50	+0.36	88.54	88.15	1859	13653
Mar	88.25	88.45	+0.26	88.54	88.25	1108	7822

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.19	96.19	+0.02	96.20	96.17	2152	23921
Sep	95.97	95.98	+0.03	95.99	95.96	697	7347
Dec	95.68	95.72	+0.05	95.73	95.68	227	6216
Mar	95.54	95.54	+0.07	95.55	95.54	55	525

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.92	93.01	+0.14	93.01	92.91	3161	9992
Sep	92.95	92.99	+0.11	92.99	92.91	455	4473
Dec	92.75	92.79	+0.10	92.80	92.72	179	2663
Mar	92.42	92.46	+0.10	92.48	92.42	87	1958

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.41	17.16	4.846	2.173	5840	5.430	21.60	509.8	444.8	24.99	4.021	2.171	4.828	5.430	306.1	2.657
Denmark	(DKr)	51.53	10	8.841	2.497	1.120	3010	2.798	11.13	262.7	229.2	12.88	2.073	1.119	2.488	1.768	157.8	1.369
France	(FFr)	58.29	11.31	10	2.825	1.267	3404	3.165	12.59	297.1	259.3	14.57	2.344	1.268	2.814	1.999	178.4	1.549
Germany	(DM)	20.64	4.004	3.540	1	0.448	1205	1.121	4.458	105.2	91.80	5.157	0.830	0.448	0.996	0.708	63.17	0.548
Ireland	(I£)	46.01	8.929	7.894	2.230	1	2687	2.499	9.940	234.6	204.7	11.50	1.850	0.999	2.222	1.578	140.9	1.223
Italy	(L)	1.712	0.332	0.294	0.083	0.037	100.	0.093	0.370	8.729	7.617	0.428	0.069	0.037	0.083	0.059	5.242	0.046
Netherlands	(Fl)	18.42	3.574	3.160	0.892	0.400	1076	1	3.976	93.88	81.93	4.602	0.741	0.400	0.889	0.632	56.38	0.489
Norway	(NKr)	46.29	8.983	7.942	2.243	1.006	2704	2.514	10	236.0	205.9	11.57	1.861	1.005	2.235	1.588	141.7	1.230
Portugal	(Es)	16.62	3.807	3.385	0.951	0.426	1146	1.065	4.238	100.	87.27	4.902	0.789	0.426	0.947	0.673	60.05	0.521
Spain	(Pta)	22.48	4.362	3.857	1.089	0.489	1313	1.221	4.856	114.6	100.	5.617	0.904	0.488	1.085	0.771	68.81	0.597
Sweden	(SKr)	40.02	7.765	6.865	1.939	0.870	2337	2.173	8.645	204.0	178.0	10	1.609	0.869	1.932	1.373	122.5	1.063
Switzerland	(SFr)	24.87	4.826	4.267	1.205	0.540	1452	1.350	5.373	126.8	110.6	6.215	1	0.540	1.201	0.853	75.13	0.661
UK	(£)	46.06	8.938	7.902	2.232	1.001	2690	2.501	9.950	234.8	204.9	11.51	1.852	1	2.224	1.580	141.0	1.224
Canada	(C$)	20.71	4.019	3.553	1.004	0.450	1210	1.125	4.474	105.6	92.13	5.175	0.833	0.450	1	0.710	63.40	0.550
US	($)	29.15	5.657	5.001	1.413	0.634	1703	1.583	6.297	146.6	129.7	7.285	1.172	0.633	1.408	1	89.24	0.775
Japan	(Y)	32.67	6.339	5.604	1.583	0.710	1908	1.774	7.057	166.5	145.3	8.163	1.313	0.709	1.577	1.121	100.	0.868
Ecu		37.63	7.302	6.456	1.824	0.816	2198	2.043	8.129	191.8	167.4	9.404	1.513	0.817	1.817	1.291	115.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7141	0.7144	-0.0003	0.7187	0.7141	27,502	56,385
Sep	0.7204	0.7180	+0.0024	0.7204	0.7178	63	1,784
Dec	0.7205	0.7210	+0.0011	0.7210	0.7205	2	248

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1295	1.1372	+0.0071	1.1408	1.1291	18,906	56,491
Sep	1.1460	1.1506	+0.0076	1.1540	1.1478	252	2,315
Dec	1.1620	1.1660	+0.0054	1.1660	1.1620	5	379

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8630	0.8640	+0.0008	0.8687	0.8615	16,034	27,640
Sep	0.6728	0.8710	+0.0030	0.8740	0.8705	77	2,203
Dec	-	0.8760	-	0.8790	-	2	132

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5784	1.5820	+0.0086	1.5836	1.5728	5,782	20,933
Sep	-	1.5810	-	1.5810	-	4	149
Dec	-	1.5740	-	1.5740	-	2	11

UK INTEREST RATES

LONDON MONEY RATES

Mar 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅛ - 6	6½ - 6¼	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	6¼	6¼	6	6¼

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.53	92.56	+0.05	92.59	92.50	23326	103670
Sep	92.17	92.22	+0.07	92.25	92.14	13965	59609
Dec	91.86	91.86	+0.07	91.89	91.80	[illegible]	57921
Mar	91.66	91.68	+0.07	91.66	91.60	1881	40107

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9250	0.29	0.27	0.29	0.23	0.56	0.85
9275	0.15	0.18	0.20	0.34	0.72	1.01
9300	0.07	0.12	0.13	0.51	0.90	1.18

Est. vol. total, Calls 6431 Puts 618. Previous day's open int., Calls [illegible] Puts [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Mar 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.06685	-0.0002	-3.97	9.50	-
Germany	1.91007	1.84332	+0.0004	-3.49	8.96	-
Austria	13.4383	12.9756	-0.0043	-3.56	8.90	-
Belgium	39.3960	38.0721	-0.0236	-3.36	8.81	25
Portugal	195.792	194.621	-0.257	-0.60	5.79	4
Denmark	7.28580	7.38866	+0.00553	1.39	3.71	-10
France	6.40608	6.55048	+0.01383	2.25	2.64	-18
Spain	162.493	170.282	+0.862	4.79	0.34	-33
Ireland	0.792214	0.833038	+0.006183	5.15	0.00	-35
NON ERM MEMBERS						
Greece	292.867	302.176	-0.023	3.18	1.91	-
Italy	2106.15	2272.12	-11.61	7.88	-2.53	-
UK	0.786652	0.823617	-0.002652	4.70	-0.77	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
1.525	6.16	6.68	7.20	0.38	0.99	1.61
1.550	4.17	4.90	5.54	0.88	1.69	2.42
1.575	2.54	3.41	4.13	1.74	2.62	3.41
1.600	1.44	2.31	2.99	3.04	3.95	4.73
1.625	0.73	1.48	2.15	4.81	5.58	6.27
1.650	0.32	0.89	1.47	6.90	7.49	8.09

Previous day's vol., Calls 7,395 Puts 5,279. Prev. day's open int., Calls 229,317 Puts 311,277

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.53	93.51	-0.01	93.53	93.50	44,400	517,090
Sep	93.31	93.26	-0.02	93.31	93.27	32,492	320,615
Dec	93.11	93.08	-0.03	93.11	93.07	22,331	250,720

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.04	94.04	-0.01	94.06	94.04	838	17,075
Sep	93.79	93.80	-0.02	93.81	93.79	1,287	8,806
Dec	-	93.63	-	-	93.63	461	8,969

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
9475	0.17	0.21	0.23	0.19	0.03	0.07	0.09	0.32
9500	0.03	0.07	0.09	0.09	0.14	0.18	0.16	0.48
9525	0	0.02	0.02	0.04	0.36	0.38	0.35	0.68

Est. vol. total, Calls 9639 Puts 7805. Previous day's open int., Calls 125291 Puts 209654

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9600	0.24	0.20	0.20	0.05	0.22	0.48
9625	0.12	0.11	0.12	0.18	0.38	0.65
9650	0.05	0.05	0.06	0.35	0.58	0.84

Est. vol. total, Calls 10 Puts 5. Previous day's open int., Calls 588 Puts 48

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	•Singer & Friedlander	6.75
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	•Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	•Guinness Mahon	6.75	•United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	•Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	•Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	• Members of London Investment Banking Association	
•Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	•Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	•Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		•Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barclays 8pc Cm 2nd Pf		58½	—	117	50¾	6.31	10.8	–
9¾pc Non-Cum Pf		[illegible]	—	137½	3	1.90	–	–
Cater Allen	‡N□	468	-2	*530¼	418	140.6	7.7	9.5
Close Bros	‡N□	246xd	—	*285½	203	234.2	5.0	11.1
Gerrard & Nat	‡N□	423	-2	515	385	206.0	7.1	12.2
Hambros	N□	288	+1	478	195	257.3	0.8	12.9
7½pc Cv Pf		94xd	-1	191	94	121.1	10.8	–
Joseph (L)	‡N	383	—	443	353	28.3	5.8	11.1
King & Shaxson	‡N	87	—	170	86	15.1	12.9	8.8
Kleinwort Benson	‡qN□	615xd	+6	888	424	821.8	4.4	12.0
Rea Bros	‡N□	58	—	70	53	24.1	0.9	16.2
Schroders	‡qN□	1465	—	1574	1050	1,465	1.7	14.4
N/V	qN	1333	-7	1458	1048	308.5	1.0	12.1
Singer & Fried	‡N□	53½	—	114	75	160.2	5.4	ф
Union	‡N□	74xd	—	*199	76	19.7	0.1	ф
Warburg (SG)	‡N□	722	+2	1012	589	1,569	3.8	13.2
Wintrust	‡N	285xd	—	330	200	17.4	6.5	13.7

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or −	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£13½	2,123	2.4	Φ
Barlow	♣	£6¼	—	£6¼	£3½	1,247	1.8	22.8
Gold Flds Prop R		144xd	—	152	75	14.7	7.5	Φ
NK Props.		88	—	88	85	3.82	13.0	–
SASOL	♥	697	—	697	280	3,444	2.8	–
SA Brews	†	£17¼	—	£17¾	818	4,909	1.6	28.3
Tiger Oats		850	—	875	538	1,278	1.7	20.5
Tongaat-Hulett	†Φ	698	—	*762	356¼	628.9	2.8	20.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on BMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf on capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK: Prof Advisers 0800 414181 Jersey: 01534 71696
Private Clients 0800 414181 00 352 250404239
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Selling Price	+or -	Yield Gr's
A$ Accum	A$17.301	+0.003	6.60
A$ Dist	A$15.176	+0.003	6.60
ASch Accum	Sch238.95	+0.02	3.80
ASch Dist	Sch200.84	+0.02	3.80
BFr Accum	BFr538.80	+0.05	5.20
BFr Dist	BFr532.64	+0.05	0.00
C$ Accum	C$17.373	+0.003	7.90
C$ Dist	C$15.128	+0.002	7.90
DKr Accum	DKr157.97	+0.02	5.90
DKr Dist	DKr100.61	+0.02	5.90
DM Accum	DM38.734	+0.004	3.80
DM Dist	DM30.151	+0.003	3.80
DFl Accum	DFl30.487	+0.003	3.90
DFl Dist	DFl25.132	+0.003	3.90
ECU Accum	Ecu12.654	+0.001	5.40
ECU Dist	Ecu10.086	+0.002	5.40
FM Accum	FM105.35	+0.01	3.80
FM Dist	FM100.50	+0.01	3.80
FFr Accum	FFr82.089	+0.012	6.00
FFr Dist	FFr60.329	+0.009	6.09
HK$ Accum	HK$112.03	+0.02	6.00
HK$ Dist	HK$109.78	+0.02	6.00
I£ Accum	I£11.449	+0.001	4.00
I£ Dist	I£10.057	+0.001	4.00
Lire Accum	L20584	+05	6.70
Lire Dist	L15155	+04	6.70
NZ$ Accum	NZ$35.397	+0.007	7.90
NZ$ Dist	NZ$30.283	+0.006	7.90
NKr Accum	NKr108.11	+0.01	3.90
NKr Dist	NKr100.53	+0.01	3.90
Pes Accum	Es3987.7	+0.7	9.60
Pes Dist	Es3538.8	+0.6	9.60
S$ Accum	S$25.513	—	1.90
S$ Dist	S$25.032	+0.001	1.90
SPta Accum	Pta2431.8	+0.5	7.90
[illegible]	[illegible]	[illegible]	[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.
Intl Currencies Fd Ltd

	Selling Price	+or -	Yield Gr's
US$	$40.80	+0.01	4.92
Canadian $	C$31.47	+0.01	6.82
£ Sterling	£29.48	—	4.78
D-Mark	DM60.90	+0.01	3.72
Swiss Franc	SF64.27	—	2.30
Japanese Yen	Y1559	—	1.21
Managed Fund	$43.03	+0.01	—

Latest Fund Prices 24hr service 01481 716045

Saratoga Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

	Selling Price	Buying Price	+or -	Yield Gr's
GlobalSer Dollar Accum	$26.92	28.43	+0.19	—
GlobalSer Dollar Dist	$25.35	26.93	+0.11	2.88
GlobalSer-£	£16.21	17.10	+0.21	4.59
(Accum Units)	£18.71	19.84	+0.24	—

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

	Selling Price	Buying Price	+or -	Yield Gr's
European Bd $	$11.1082	11.4988	—	7.88
Approx Stg Equiv	£6.9547	7.1974	—	7.88

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

	Selling Price	Buying Price	+or -	Yield Gross
Emerging Mkts Liquid Inv Pfolio	$11.18	11.68	—	—

Apollo Investment Management Ltd

	Selling Price	Buying Price	+or -	Yield Gross
Japan	£9.969	10.534	—	—
Tiger	£8.269	8.665	—	—

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

	Selling Price	Buying Price	+or -	Yield Gross
Managed Currency	$10.42	10.85	+0.07	—
International Bond	$10.57	11.01	+0.00	—

Buchanan Global Investment Fund Ltd

	Selling Price	Buying Price	+or -	Yield Gross
Cash, Gilt & Stg Fxd Int	£17.42	17.68	—	—
US Dollar Intl Bond & Cey	$103.13	106.90	—	—
Sterling Intl Bond & Cey	£100.55	102.72	—	—
Global Equity	$8.74	9.17	—	—
Intl Equity Index	$99.11	102.76	—	—

Bellinvest Management (Guernsey) Ltd

	Selling Price	+or -	Yield Gross
Bellinvest - Israeli Fd	$586.29	—	—
Bellinvest - Brazil Fd	$1057.40	—	—
Bellinvest - Multi Bond Fd	$934.09	—	—
Bellinvest - Global Fd of Fds	$761.74	—	—

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Firm close after renewed currency uncertainty

By Terry Byland,
UK Stock Market Editor

A trading session unsettled briefly by currency factors closed firmly in London yesterday, with the stock market moving confidently to a new peak for 1995. Business volume remained high, as the substantial trading programme of ths previous session continued to nnwind through the market.

Increased dividends from leading British companies gave further support to the favourable valuation of UK equities against government bonds; Prudential, Britain's largest life assurer, and Bowater headed the list of those lifting payouts to shareholders.

The final reading put the FT-SE 100-share Index at 3,135 for a net gain of 10.8. In the early part of the session the Footsie was nearly 25 points up, but this gain was wiped out at midsession when the US dollar turned easier before rumours that the Bank of Japan had discussed a new dollar/yen rate were firmly denied.

The Dow Jones Industrial Average opened lower and the Footsie dipped briefly into negative territory before the Dow recovered to show a gain of 12 points at the London close.

The seesaw movements in the Footsie were again led by stock index futures and also mirrored in gilt-edged markets. The FT-SE Mid 250 Index, still catching up after lagging behind the FT-SE 100 last week, finished 15.7 higher st 3,406.7. The FT-SE 350-share Index advanced by 5.8 to a new 1995 peak of 1,554.4.

Equity market strategists sounded relatively unperturbed by the sudden reversal in share prices at midsession. Currency markets were seen as nervous ahead of the US trade figures due ont today and the meeting of G7 ministers at the end of April. London's equity market has risen by more than 5 per cent since the first week of this month and a bout of profit-taking would not be unexpected.

Among the day's weaker spots were Arjo Wiggins Appleton, which dropped sharply after St Louis, the French stakeholder, firmly rejected rumours current in London for some weeks that it would sell its 40 per cent equity holding.

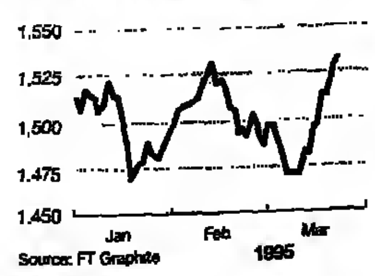
Seaq volume jumped to 818.4m shares from the 708m of the previous session, when customer business in equities was worth £1.77bn. Non-Footsie business made up around 54 per cent of yesterday's total.

For the near term, market confidence remains high, as Wall Street moves to new peaks and UK stocks are believed to be regarded favourably by most European fund managers. Concerns over the outlook for interest rates have been eased by hopes for a "soft landing" in the US.

Analysts believe that the recovery in the UK stock market, based on perceptions of good prospects for growth in dividends and earnings at British companies, was checked by the nervousness prompted by the collapse of Barings, the UK merchant bank hit by derivatives losses in the Far East.

Fears of further problems among UK merchant banks continue to circulate in the stock market and some analysts warn that another blow from this sector could still unsettle UK markets.

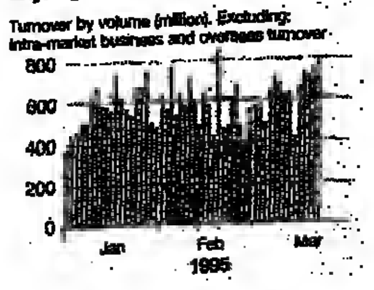
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



Indices and ratios

FT-SE 100	3135.0	+10.8
FT-SE Mid 250	3406.7	+15.7
FT-SE-A 350	1554.4	+5.8
FT-SE-A All-Share	1533.44	+5.59
FT-SE-A All-Share yield	4.16	(4.18)
FT Ordinary index	2394.2	+12.4
FT-SE-A Non Fins p/e	16.97	(16.93)
FT-SE 100 Fut Jun	3158.0	+16.0
10 yr Gilt yield	8.48	(8.52)
Long gilt/equity yld ratio:	2.06	(2.06)

Best performing sectors

1 Tobacco .... +3.3
2 Property .... +1.7
3 Insurance .... +1.3
4 Health Care .... +1.2
5 Retailers, General .... +1.1

Worst performing sectors

1 Life Assurance .... -2.4
2 Pharmaceuticals .... -0.5
3 Paper, Pckg & Print .... -0.4
4 Electricity .... -0.3
5 Diversified Inds .... -0.3

Pru hit by poor figures

Prudential was the second-worst performer in the FT-SE 100, as the market registered its disappointment with preliminary figures. One life sector specialist described them as towards the bottom end of the market's expectations.

The shares dropped 10¼ or 3.2 per cent to 322p following some aggressive selling which drove turnover up to 12m.

Analysts said the appointment of Mr Peter Davis as the company's new chief executive, succeeding Mr Mick Newmarcb, who left the group under a cloud recently, was seen as a positive, but failed to trigger any rally in the stock.

Prudential's profits came in marginally ahead at £603m, compared witb last year's £589m and best estimates which had ranged up to £640m-plus. The dividend, which was up just over 9 per cent, had been expected to rise by 10 per cent by some optimists.

There was some disquiet in the market with news that the company's provisions against the costs of pension mis-selling was higher than in the previous year.

Legal & General was another life stock to lose ground, the shares slipping 5 to 476p after oews tbat Sir John Nott is launching a campaign to block tbe company's plans to gain Department of Trade and Industry approval to distribute money from its long term life fund to shareholders.

BAT advances

Tobacco and insurance group BAT rose 15 to 431p on the back of a glimmer of optimism over prospects in the US.

Since its takeover of American Tobacco, BAT accounts for 18 per cent of the US tobacco market. The sector has been paralysed by the threat of class libel actions but rejection of a similar case - by haemophiliacs against a drug company - gave some cause for optimism.

Mr Charles Pick of Panmure Gordon believes that if the litigation concerns are removed, and the yield is re-examined, BAT sbares could hit 500p without being too demanding.

Wellcome sold

Leading pbarmaceuticals stocks were under pressure yesterday as one institutional shareholder got rid of a large cbunk of Wellcome shares.

Tbe investor apparently decided not to wait for the cash from the Glaxo bid, which is now unconditional, and is largely reflected in the Wellcome share price. The stakeholder sold tbe shares at 1048p apiece and the dealer who took them on hedged the position by selling other drug stocks.

Because of the knock-on effect, Zeneca, SmithKline Beecham and Glaxo all fell. Zeneca recovered later on the back of options-related business and closed 2 higher at 886p. SmithKline Beecham regained some lost ground after announcing that it had registered its whooping cough vaccine in Germany. The "A" stock closed 3 down at 524p after being 5 off earlier. Glaxo shed 5½ to 703p.

Steel setback

Heavy selling of British Steel saw turnover rise to a befty 25m and the shares fall 5 to 159½p as dealers reacted to news of price cuts by Nucor, the most profitable steel manufacturer in the US.

The price reductions led to sharp falls in US steel company sbares on Monday, prompting heavy selling of British Steel in London yesterday on fears that the UK group may soon be forced to make a similar move. Price increases in 1994 had made it the best performing stock among FT-SE 100 constituents last year.

Suggestions that India may buy Russian fighter aircraft instead of Hawk jets from British Aerospace sent shares in the UK group down 6 to 499p.

Dealers also attributed the retreat in the shares to some profit-taking after recently touching their highest level for six months.

Britisb Petroleum did not feature in the FT-SE 100'a top 20 performers but dealers noted a fresb burst of strong buying interest in the stock, partly from the US and partly as a result of a switch recommendation, from Sbell Transport to BP, said to have been instigated by Kleinwort Benson, the stockbroker.

BP settled a net 3¼ ahead at 421p – with some analysts still expected a breakout above the previous 435p peak – after heavy turnover of 10m. Shell, on the other hand, was a prominent loser in the top 100 list, the shares closing a net 5 off at 727p on relatively high turnover of 6.8m.

Standard Chartered extended its recent good performance, moving forward 4 to 292p on more heavy turnover of 5.6m.

S.G. Warburg was edging higher towards the close, finishing 2 firmer at 722p, with the market beginning to react to fresh hints that more news on a potential merger could be immineot.

Kleiowort Benson also gained ground, closing 6 up at 615p, while many of the quoted stockbroking bouses responded to the recent upturn in market turnover and sentiment. BWD Securities advanced 5 to 82p and Sharelink 4 to 158p, after 160p. Brewin Dolphin was up 6 to 140p, belped by the reassuring comments made by the chairman at the annual meeting. Investment management groups improved across the board, with M&G 13 up at 993p and Perpetual 30 firmer at 1278p.

Paper group Arjo Wiggins Appleton slipped 10 to 248p on disappointment that Frencb food group Saint Louis claims to have no intention of offloading its 40 per cent stake.

Meanwhile, Bowater recovered from an early morning plunge, after some misreading of tbe packaging group's annual results led to dumping of a big batch of shares. The shares closed 6 up at 432p after a fall of 14 earlier.

Leisure group Thorn EMI jumped 17 to 1049p, with volume reaching 2.3m. The company was said to be holding presentations in the US with NatWest Securities.

Among retail stocks, hopes that Great Universal Stores will announce a share buyback scheme saw the stock appreciate 15 to 569p. Boots has also been mentioned among companies that may carry out a share buyback. However, the shares gave up 3 to 518p, in trade of 2.1m, on profit-taking following a recent run.

There was beavy buying of Marks and Spencer as institutions went for stocks seen as likely to be strong performers in 1996. The shares added 7½ to 404½p, in trade of 11m.

Chemicals group BOC dropped 9 to 693p with some dealers suggesting that Cazenove, which never comments on market speculation, bad recommended the stock as a trading sell.

That would be a blow to the group as Cazeoove is BOC's broker. As a result, there was surprise and disbelief about the dealers' suggestions. There was also a large block of shares on offer.

Housebold goods maker Paterson Zocbonis fell 15 to 407p after disappointing numbers and a profits warning.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Mar 21	Mar 20	Mar 17	Mar 16	Mar 15	Yr ago	*High	*Low
Ordinary Share	2394.2	2381.8	2382.2	2371.5	2337.9	2527.7	2713.6	2238.3
Ord. div. yield	4.43	4.45	4.49	4.47	4.53	3.68	4.88	3.43
Earn. yld. % full	7.17	7.21	7.24	7.21	7.32	4.98	7.39	3.82
P/E ratio net	18.80	16.51	16.45	16.51	16.28	21.82	23.43	16.11
P/E ratio nil	16.29	19.20	16.10	16.16	15.94	22.79	30.80	15.77

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2385.8	2391.4	2393.9	2400.8	2398.3	2394.5	2393.8	2395.9	2394.7	2402.5	2384.8

	Mar 21	Mar 20	Mar 17	Mar 16	Mar 15	Yr ago
SEAQ bargains	36,639	30,953	29,997	27,404	29,851	37,802
Equity turnover (£m)†	-	1772.9	1592.7	1614.6	1927.3	1564.9
Equity bargains†	-	43,811	41,468	40,389	41,709	44,553
Shares traded (ml)†	-	779.2	768.7	718.9	747.2	588.0

†Excluding intra-market business and overseas turnover.

■ **London market data**

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	831	Total Highs	40	Total contracts	36,730
Total Falls	436	Total Lows	69	Calls	19,429
Same	1,593			Puts	17,301

March 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3145.0	3158.0	+16.0	3168.0	3136.0	14649	60543
Sep		3181.0	+16.0			0	1050

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3410.0	+20.0			0	4070

■ FT-SE 100 INDEX OPTION (LIFFE) (*3136) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Apr	199½	5	153½	9	112	17½	76½	32	47	53½	26½	83½	12½	121	5½	165½
May	217½	16	176	24	138½	37	105½	53	76	74	54	101½	36½	134½	22	173
Jun	229	24½	190½	36	154½	49½	123½	68½	94½	89	72½	117	51½	147½	37	163½
Jul	244½	32½	209	45½	174½	60½	145½	81½	117	103	96	131½	70	161½	59	196½
Dec†			284½	84½			223½	121			171½	168			124	223½

Calls 7,498 Puts 7,666

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Apr	175	6	132½	14	93½	24½	61½	42	37	67½	19½	99½	8½	138	3½	182½
May	198½	15½	158½	29½	123	44	92	63	69½	87½	46	117	30½	151½	19½	190½
Jun	213	33	176	45	142½	61	112	79½	85	102	62	128	44	159½	30	194
Sep			225½	74½			162½	108½			109½	152½			69½	209
Dec†			271½	90			211½	125			159½	169			114	218

Calls 1,878 Puts 1,100 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	514.1	166	154	Albright & Wilson	164		RN6.0	1.5	4.6	18.2
§10	F.P.	15.8	13¼	12	Bath Press	12	-¼	-	-	-	-
-	F.P.	18.4	201	175	Beale	180		HN5.9	-	4.1	-
-	F.P.	29.0	128	123	Colleagues	128	+2	-	-	-	-
§128	F.P.	15.8	135	130	Dailywin	130		RN6.0	2.2	5.8	6.8
§130	F.P.	46.4	138	136	Datrontech	138	+2	N-	-	-	15.9
§125	F.P.	21.1	131	125	GET Group	128		N-	-	-	11.1
100	F.P.	30.0	101	100	Geared Inc Inv C	100		-	-	-	-
§135	F.P.	16.5	138	118	Golden Rose	123		-	-	-	-
100	F.P.	161.6	101	95	HTR Inc Gth Sp Inc	101	+3				
100	F.P.	94.5	105	102	Do. Zero Div Pf	105	+1				
-	F.P.	9.90	20	17	Inv Cap Warrants	20	+1				
-	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84					
-	F.P.	2.91	59	55	Do. Warrants	50					
-	F.P.	0.36	5	3	Melrose Warrants	3½					
100	F.P.	23.5	94	90	Montanaro UK Sm	94					
-	F.P.	2.15	48	43	Do. Warrants	43					
479	170	6,033.1	193	183½	*Natl Power (P/P)	188½	+½	FN15.45	2.6	4.1	13.0
150	F.P.	15.8	160	150	Photobition	153		RN5.0	2.0	4.8	11.1
512	185	4,054.5	208	178½	*PowerGen (P/P)	189½	+½	FN15.0	3.2	3.6	11.1
-	F.P.	78.3	498	483	Schroder I G Uts	485					
50	F.P.	3.88	50	50	Superframe	50		RN2.0	1.8	5.0	12.5
-	F.P.	0.04	8	7	Do. Warrants	7					
-	F.P.	24.3	102	100	Throg Dl Zero Pf	102	+½				
145	F.P.	63.1	183	170	Zotefoams	174		W4.85	2.1	3.5	17.8

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Mar 20	% chg on day	Mar 17	Mar 16	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1837.33	+0.8	1857.31	1855.20	2888.19	2.27	2397.80	1637.91
■ Regional Indices								
Africa (16)	2657.41	-1.2	2689.25	2723.59	3856.30	5.68	3711.87	2204.45
Australasia (7)	2092.99	-3.9	2176.99	2185.14	2544.29	1.96	2931.49	1788.20
North America (11)	1593.12	+1.5	1569.94	1553.03	1746.85	0.82	1911.21	1348.15

Copyright, The Financial Times Limited 1995. † Partial.
Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
PLEASE NOTE: Supporting data for the FT Gold Mines Index is provided by the Mining Journal Ltd.

FT-SE Actuaries Share Indices — The UK Series

	Mar 21	Day's chge%	Mar 20	Mar 17	Mar 16	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3135.0	+0.3	3124.2	3089.3	3094.1	3201.5	4.35	7.88	15.26	32.21	1209.59
FT-SE Mid 250	3406.7	+0.5	3391.0	3374.5	3367.6	3853.1	3.75	6.72	17.92	29.84	1291.26
FT-SE Mid 250 ex Inv Trusts	3413.6	+0.5	3398.0	3382.7	3376.1	3872.0	3.90	7.28	16.56	20.69	1292.09
FT-SE-A 350	1554.4	+0.4	1548.6	1533.5	1534.7	1625.0	4.22	7.65	15.78	14.49	1228.01
FT-SE-A 350 Higher Yield	1567.3	+0.3	1563.0	1548.5	1553.6	1634.1	5.20	8.45	14.18	19.29	1236.82
FT-SE-A 350 Lower Yield	1541.3	+0.5	1533.9	1518.1	1515.2	1574.9	3.07	6.85	16.17	9.87	1022.57
FT-SE SmallCap	1664.35	+0.3	1659.24	1657.65	1665.89	1988.82	3.54	5.25	23.81	10.86	1332.66
FT-SE SmallCap ex Inv Trusts	1671.82	+0.3	1667.57	1668.50	1665.30	1968.99	3.76	5.86	21.60	10.16	1319.10
FT-SE-A ALL-SHARE	1533.44	+0.4	1527.85	1513.96	1514.89	1617.05	4.18	7.44	16.19	13.94	1229.71

■ **FT-SE Actuaries All-Share**

	Mar 21	Day's chge%	Mar 20	Mar 17	Mar 16	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	405	361	+3
ASDA Group†	8,100	73¼	+¼
Abbey National†	3,300	459	-½
Albert Fisher	859	41	+1
Allied Domecq†	1,700	525	+7
Anglian Water	943	470	
Argos	2,200	384	+6
Argyll Group†	7,200	293	
Arjo Wiggins†	8,100	248	-10
Assoc. Brit. Foods†	205	598	+3
Assoc. Brit. Ports	1,800	265	+6
BAA†	3,600	476	+2
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 22.03.95 Pool purchase price £/MWh	Final Prices for Trading on 22.03.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.79	8.80	8.80
0100	9.00	8.95	8.95
0130	10.14	8.95	8.95
0200	10.14	8.96	8.95
0230	9.93	8.95	8.95
0300	8.90	8.91	8.91
[illegible]	[illegible]	[illegible]	[illegible]

CONTRACTS & TENDERS

PERSONAL

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 21 / Sch)

BELGIUM/LUXEMBOURG (Mar 21 / Frs.)

CZECH REP (Mar 21 / Koruna)

DENMARK (Mar 21 / Kr)

FINLAND (Mar 21 / Mkk)

FRANCE (Mar 21 / Frs.)

GERMANY (Mar 21 / Dm.)

GREECE (Mar 21 / Drachma)

ITALY (Mar 21 / Lire)

NETHERLANDS (Mar 21 / Fls.)

NORWAY (Mar 21 / Kroner)

POLAND (Mar 17 / Zloty)

PORTUGAL (Mar 21 / Escudo)

SPAIN (Mar 21 / Pts.)

SWEDEN (Mar 21 / Kronor)

SWITZERLAND (Mar 21 / Frs.)

TURKEY (Mar 21 / Tk. Lira)

PACIFIC

JAPAN (Mar 20 / Yen)

HONG KONG (Mar 21 / H.K.$)

INDONESIA (Mar 21 / Rupiah)

MALAYSIA (Mar 21 / MYR)

NEW ZEALAND (Mar 21 / NZ $)

SINGAPORE (Mar 21 / S$)

AUSTRALIA (Mar 21 / Aust$)

SOUTH KOREA (Mar 21 / Won)

TAIWAN (Mar 21 / TW $)

THAILAND (Mar 21 / Baht)

NORTH AMERICA

CANADA

TORONTO (Mar 21 / Can $) 4 pm close

MONTREAL (Mar 21 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Mar 20 / Rand)

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Mar 20	Mar 17	Mar 16	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4083.68	4073.65	4069.15	4083.68 (20/3/95)	3593.35 (4/4/94)	4083.68 (20/3/95)	41.22 (2/7/32)
Home Bonds	97.49	97.68	97.52	105.61 (21/1/94)	93.56 (30/12/94)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1597.32	1580.78	1580.32	1862.29 (2/2/94)	1371.88 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	186.07	187.52	188.11	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4118.15 (4131.85) Low 4051.17 (4044.94) (Theoretical)
Day's high 4088.87 (4080.22) Low 4071.57 (4059.47) (Actual)

Standard and Poors	Mar 20	Mar 17	Mar 16	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	496.15	495.52	495.41	496.15 (20/3/95)	438.92 (4/4/94)	496.15 (20/3/95)	4.40 (1/6/32)
Industrials♥	590.89	589.39	588.63	590.89 (20/3/95)	510.05 (21/4/94)	590.89 (20/3/95)	3.62 (21/6/32)
Financial	45.79	45.84	45.12	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	268.85	267.84	267.92	268.85 (20/3/95)	243.14 (4/4/94)	268.85 (20/3/95)	4.46 (25/4/42)
Amex Mkt Val	456.18	458.02	456.47	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	810.49	808.33	808.33	818.49 (20/3/95)	683.79 (24/6/94)	818.49 (20/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 17	Mar 10	Mar 3	Year ago
Dow Jones Ind. Div. Yield	2.69	2.70	2.73	2.62
	Mar 15	Mar 8	Mar 1	Year ago
S & P Ind. Div. yield	2.33	2.36	2.36	2.44
S & P Ind. P/E ratio	17.60	17.32	17.32	26.62

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
RJR Nabisco	6,968,800	5⅝	+⅛
Philip Morris	5,546,000	66¾	+3
Circus	5,141,700	28¾	+3½
Motorola	5,088,600	54⅛	–⅞
Telefonos	4,066,000	25⅝	–¼
Nine West	3,715,500	29¾	–1¼
Micron	3,057,500	73⅝	+3¾
Merck	2,924,200	44⅛	+⅛
Compaq	2,921,200	33⅛	+⅝
Shaw Inds	2,848,000	13	–½

■ TRADING ACTIVITY

● Volume (million)

	Mar 20	Mar 17	Mar 16
New York SE	301.723	415.794	336.686
Amex	18.347	17.187	17.170
NASDAQ	249.704	285.301	310.372
NYSE			
Issues Traded	2,955	2,950	2,948
Rises	1,058	881	1,390
Falls	1,088	1,313	770
Unchanged	809	776	788
New Highs	70	75	185
New Lows	35	32	23

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	500.10	499.45	-0.70	500.15	499.35	37,095	184,889
Sep	504.00	504.10	-0.55	504.15	504.00	71	5,624
■ Nikkei 225							
Jun	16060.0	16180.0	-60.0	16270.0	15960.0	18,960	118,532

Open interest figures for previous day.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto 5 prices. Highs/Lows are for 1995, except Toronto 5 Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Monday, March 20, 1995.

	Stocks Traded	Closing Prices	Change on day
Toyota Motor	8.2m	1,660	
Kao Corp	7.3m	1,020	
Nippon Steel	6.8m	324	-3
Keihin E Expr Ry	6.3m	584	
Fudo Const	4.3m	823	+13
Daiichi Pharm	4.2m	1,450	+50
Sumitomo Const	4.0m	630	+5
Toshiba Corp	3.8m	551	-16
Asahi Glass	3.7m	1,050	
NKK Corp	3.3m	232	-4

4 pm close March 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¼	12⅞	AAR	0.48	3.6	21	163	13	d12⅝	12¾	-⅛
22¼	19¼	ALPharmA	0.18	0.8	267	1382	u23⅛	22⅞	23	+⅞
39¼	36	AMP	0.92	2.5	20	8122	37	36½	36⅞	+¼
63¼	53¾	AMR			27	10632	u63¾	62½	63¼	+½
47⅞	41⅞	ASA	1.71	3.8	30	1665	46⅞	45½	45½	-¼
37⅞	30¾	AbbtL	0.84	2.2	20	12935	u38⅛	37½	37⅞	+¼
14	12	Abitibi Pr	0.80	3.7	12	5404	13⅞	13½	13⅝	+⅝
24⅜	22⅛	ABM Ind	0.60	2.7	13	20	22⅝	22⅜	22⅝	-⅛
18⅝	14½	Acprocein			0	176	14⅞	d14½	14½	-½
25⅞	21⅞	ACE Ltd	0.44	1.8	7	436	24⅛	23⅞	24	-⅛
9¼	8½	ACM Gvt In	0.90	10.6	7	417	8⅝	8½	8½	-⅛
7½	6½	ACM GvOpp	0.66	8.8		158	6⅞	6¾	6⅞	+⅛
7½	5¾	ACM Gvt Sp	0.75	12.2		930	6¼	6	6⅛	
8⅝	7⅝	ACM Gvt Se	0.90	12.8		358	7⅝	7½	7½	
8½	7⅝	ACM Man	1.08	13.7		161	7⅞	7¾	7⅞	
7⅝	7⅛	ACM Managd	0.72	10.1		31	7⅛	d7⅛	7⅛	
16¼	10¼	AcmeCle	0.48	3.3	8	187	14⅜	14⅛	14⅝	+⅝
21½	12⅞	Acme Elect			28	100	18	17⅝	17¾	-¼
34½	31⅞	Acordia	0.72	2.2	76	22	32½	32¼	32½	-½
11⅞	8⅝	Actava	0.36	3.5	7	7152	10½	10¼	10¼	-⅞
16¾	11⅞	Acuson			18	832	12	d11¾	11⅞	
16⅞	15⅝	Adams Expr	0.36	2.2	0	72	16⅜	16¼	16¼	
68½	53	Ad Micro	3.00	4.5		66	66	66	66	
35⅝	23	AdvMic	3.00	8.8	11	5825	34⅝	33¾	34	-½
6⅞	5	Advest Grp	0.18	2.8	29	66	5⅞	5⅝	6⅝	-¼
19¼	16½	Advo Inc	0.10	0.5	15	53	18⅝	18⅜	18⅜	-¼
70⅞	63⅞	Aegon ADR	1.47	2.1	13	3	69½	69¼	69¼	-¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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4 pm close March 21

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
120¼	96½	Xerox	3.00	2.5	17	4600	118	116⅞	118	+¼
52½	44⅛	Xtra Corp	0.64	1.3	13	503	50¼	49⅝	50	+⅛
22⅞	20⅜	Yankee Egy	1.22	6.0	11	76	20½	d20⅛	20½	+⅛
39	34⅛	York Int	0.16	0.4	19	472	38	37⅞	37⅞	+⅛
4⅛	3¼	Zapata	0.14	4.0	11	57	3⅝	3½	3½	-⅛
12⅛	7½	Zenith El			23	2934	8¼	7⅞	7⅞	-⅜
22⅞	19½	Zenith Nat	1.00	4.8	10	31	20¾	20¾	20¾	
6½	6½	Zeus Inc c	0.76	11.6		148	u6½	6⅜	6½	+⅛
14⅜	12⅞	Zero	0.44	3.2	19	102	14⅛	13⅝	13¾	-½
19½	18⅞	Zurn Ind	0.88	5.0	67	240	17½	17⅜	17½	
11¼	13⅜	Zweig Fund	1.04	9.7		976	10⅞	10⅝	10¾	
8⅞	7½	Zweig Tot r	0.84	8.7		225	8⅝	8½	8⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995.

NASDAQ NATIONAL MARKET

4 pm close March 21

AMEX COMPOSITE PRICES

4 pm close March 21

★ FINANCIAL TIMES Wednesday March 22 1995

AMERICA

Dow pushes higher into peak territory

Wall Street

US shares added to Monday's gains yesterday morning to move deeper into record territory as the dollar stabilised against the Japanese yen and pushed ahead against the D-Mark, *writes Lisa Bransten in New York*.

By 1pm the Dow Jones Industrial Average was 11.41 higher at 4,095.09. The Standard & Poor's 500 increased by 1.58 to 497.72 and the American Stock Exchange composite gained 0.28 at 456.46. The Nasdaq composite moved up 2.43 to 812.92. Trading volume on the New York Stock Exchange came to 207m shares.

Less than a month after the Dow surged through the 4,000-point mark, the index is less than 5 points from 4,100 and investors are already looking to the more important 4,500 level. There is little in the way of economic data due this week that could throw off the market's bullish tone and few expect the Federal Reserve to raise interest rates next week at its open market committee meeting.

Helping yesterday's market was a stable dollar, which contributed to increasing prices in the bond market.

The equity market was pleased by news that Mr Joseph Antonini would resign as president and chief executive of Kmart. Shares in the company jumped $1 or 8.4 per cent to $12⅞, on the news.

The technology sector was strong once again yesterday led by a near 3 per cent increase in the value of Micron Technology. Micron hit a 52-week high as investors predicted strong demand for the computer chip company's main product, dynamic random access memory chips, or DRAMs. Shares in the company increased $2¼ at $76.

The Pacific Stock Exchange technology index also outperformed the broader indices, rising by more than 0.8 per cent, in part because of figures from a consulting group that forecast global shipments of computer work stations up 25 per cent last year over 1993. Compaq Computer rose $⅞ at $33⅞, Hewlett-Packard increased $2⅛ at $123⅛ and Apple Computer was $¾ higher at $36.

Loral gained $1⅞ at $44¼ on news that it would buy the defence business from Unisys for $862m. Unisys lost $¾ at $9¾ on the news.

Airborne Freight lost more than 7 per cent of its value, falling $1¼ at $19⅞ after the company warned that first quarter earnings were likely to be below analysts' expectations because of a declina in tha company's revenue per shipment.

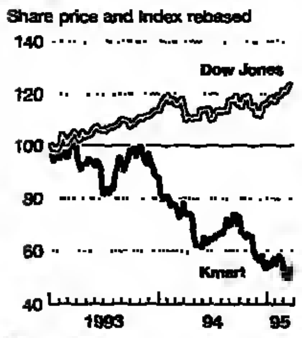
Cincinnati Microwave lost ground after reporting that it expected bigger losses in the first quartar than had been anticipated earlier. Shares dropped $1¼ at $10, or 11 per cent.

Norand shed $6 at $35¾ as investors took profits. Late on Monday, the maker of inventory data systems reported second quarter earnings greater than those for the same time last year, but in line with analysts' expectations. Since tha beginning of last week the shares had risen $3¼.

E.W. Scripps hit a 52-week high, adding $1¼ at $32¼ after reports that the communications company was considering the sale of its cable systems which could bring the company as much as $1.35bn.

Kmart

Share price and index rebased



Source: Datastream

Canada

Toronto saw a major jump in Cominco, the fertiliser producer, as the general market edged higher at midday, with the TSE 300 composite index 0.87 firmer at 4,250.65 in volume of 33.3m shares.

Cominco rose C$2⅛ to a new 1995 high of C$41½ as it announced that it was planning to back up to 1.1m, or 5 per cent, of its shares. Brokers said that the sector was experiencing buoyant conditions, with global demand for fertiliser in 1995 expected to outpace last year and companies generating a lot of additional cash flow.

Brazil jumps 5.6% on Arida's testimony

Brazilian shares traded 5.6 per cent higher at midday after Mr Persio Arida, the central bank president, denied that any information had been leaked before the introduction of Brazil's new foreign exchange rate policy two weeks ago.

The Bovespa index was up 1,622 to 30,323 points at 1 pm in light turnover of R$103.6m ($115.2m).

Mr Arida told the Senate Economic Affairs Committee that allegations that he had given banker friends advance information on the policy changes were "absolutely unfounded". He claimed that the allegations were aimed at damaging his reputation and complicating the process of economic stabilisation.

Analysts expected that the testimony would calm the country's financial markets, rattled last week by rumours that Mr Arida and Mr Gustavo Franco, the central bank's international affairs director, would resign.

However, dealers were cautious about predicting any short term upturn in equity prices, noting that the market remained very volatile as a result of the lack of fresh money flowing in.

Telebras, the state telecoms company, saw its preferred jump 8.3 per cent to R$24.49. Preferred stock in Vale do Rio Doce, the mining giant, was quoted at R$210, up 5 per cent.

Petrobras, the oil monopoly, rose 4.6 per cent to R$68.50.

EUROPE

Senior bourses turn back after early strength

Renewed weakness in the dollar left most senior bourses unable to sustain earlier gains, *writes Our Markets Staff*.

ZURICH turned back from a firm opening as the weak dollar and Wall Street's lower start weighed on a thin market. The SMI index receded 10.5 to 2,505.5.

Georg Fischer initially jumped SFr35 to SFr1,500 in response to its return to profit in 1994 and the first dividend payment for three years. But the shares subsequently encountered profit-taking in a thin market, on a reassessment of the impact of the strong Swiss franc on the foundries and engineering group's business, and it closed SFr55 or 3.8 per cent lower at SFr1,410.

Ares Serono, the pharmaceuticals group, dropped SFr30 or 4.6 per cent to SFr625 in responsa to a worse than expected 61 per cent fall in 1994 net earnings. Mrs Birgit Kulhoff at UBS, who downgraded the stock to a trading sell, commented that the company, which calculates its results in US dollars, had suffered from currency depreciation in Italy and Spain, two of its major markets, as well as from the strength of the Swiss franc.

FRANKFURT threatened its 1995 lows, bottoming with the Dax index at 1,973.95 before closing tha afternoon at 1,984.15, down 0.84, after topping 2,000 in both session and Ibis trading.

Turnover rose from DM5.1bn to DM5.8bn. Thyssen dropped DM8 to DM257 on Monday's news that Nucor, a US company, is substantially lowering its steel prices. Meanwhile, Lufthansa ignored overnight strength in US airlines, falling another DM3.50 to DM178 on a Goldman Sachs downgrade.

In a more conventional currency related move, MAN, the truckmaker and engineer, retreated a further DM6.50 to DM344, down nearly 16 per cent this month against a Dax fall of 5.4 per cent. Mr Chris Heminway, an engineering analyst at Lehman Brothers, said MAN had been substantially overvalued for some time, and that it had been weakened by D-Mark strength and its reliance on German production facilities.

Outside the Dax index, construction stocks were weak, Phillip Holzmann falling DM35 to DM680. Professionals said the post-unification boom in orders was over.

PARIS continued to make upward progress, a firm bond market offsetting doubts about the franc and the political outlook ahead of the upcoming presidential elections. The CAC-40 index closed 2.21 higher at 1,813.78 in turnover of FFr3.67bn.

Retailers remained a feature, with the sector leader, Carrefour, again at the head of the activity charts. Recent top of the range results from the retail trade have underpinned most of the buying. Carrefour closed at FFr2,320, up FFr26.

Total moved forward FFr2.80 to FFr271.20 as analysts digested the implications of the oil company's big Yemen gas contract.

Out of favour were the construction major Bouygues, down FFr16 to FFr526 as police raided the embattled group's headquarters, and the foods group St Louis, which weakened FFr47 to FFr1,415.

Crédit Lyonnais investment certificates saw another sharp fall as investors continued to offload in the wake of Friday's rescue package. The certificates lost FFr19.30 at FFr217.50. Thomson-CSF, which holds almost 19 per cent of the bank, shed FFr4.30 to FFr130.20.

MILAN rose strongly as the lira recovered and investors welcomed the government's decision to call last night's confidence vote in the senate to speed the passage of the mini-budget. The Comit index rose 7.08 to 598.58, while the real-time Mibtel index was 247 or 2.9 per cent higher at 9,673.

Telecom Italia jumped L217 to L4,025 in response to its 1994 results and plans to sell off its mobile telephone division. Stet was L184 firmer at L4,444.

Ambroveneto advanced L185 to L5,358 before announcing flat 1994 results after the market closed. Ferruzzi climbed L52 to L1,016 and Montedison was L56 ahead at L1,112 in a technical bounce after their recent losses.

COPENHAGEN traded in below average volume for the fourth day in a row, with the KFX index rising 0.17 to 92.8. The construction and chemicals group Superfos closed DKr5 higher at DKr400, investors concentrating on the group's upbeat forecasts for the current year. Radiometer, the health care group, added DKr8 at DKr294 as a sizeable stock overhang finally worked its way through the system.

ATHENS crossed the 800 barrier again, this tima on the upgrade on speculation that the European Commission will give the green light for building the new Athens airport.

The general index moved up 12.90 or 1.6 per cent to 804.30 in turnover of Dr4.79bn; the EC had blocked ratification of construction contracts and accused the Greek government of breaching directives in tendering major public works projects.

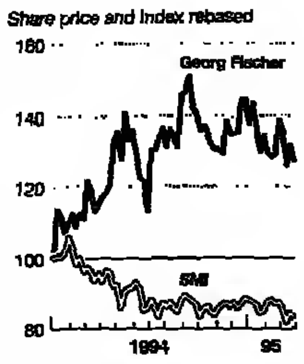
TEL AVIV continued to chip away at Sunday's 6.4 per cent gain, the Mishtanim index falling 2.73 or 1.6 per cent to 165.00 after Monday's 2.1 per cent retreat. Dealers said there was some scepticism about the government's planned budget and income tax cnts, which prompted the central bank to lower interest rates over the weekend.

ISTANBUL stacked np its third record high in succession, the composite index closing 404.21 stronger at 35,316.53, up 21.3 per cent so far this month after a 15.4 per cent rise in January.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Georg Fischer

Share price and index rebased



Source: Datastream

FT-SE Actuaries Share Indices

Mar 21 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1253.07	1251.90	1251.04	1250.85	1249.30	1248.66	1249.27	1248.99
FT-SE Eurotrack 200	1361.30	1360.89	1361.27	1360.07	1358.05	1356.50	1360.40	1358.03

	Mar 20	Mar 17	Mar 16	Mar 15	Mar 14
FT-SE Eurotrack 100	1244.62	1233.19	1240.54	1239.56	1242.42
FT-SE Eurotrack 200	1357.60	1341.85	1336.98	1332.98	1334.29

Base 1000 (26/10/90); Highday: 100 - 1253.27, 200 - 1362.64 Low/day: 100 - 1246.67 200 - 1353.46 † Partial

ASIA PACIFIC

Karachi continues to tumble ahead of nationwide strike

Roundup

Profit-taking pressured much of the region yesterday.

KARACHI continued to tumbla ahead of Saturday's nationwide strike, called by businessmen, over the government's failure to quell sectarian bloodshed.

The 100-share index finished 27.18 or 1.7 per cent weaker at 1,607.58, its lowest close for more than 16 months. It dipped well below 1,600 in early trade but clawed back on short-covering and institutional support.

More than 100 peopla have been killed this month and at least 340 in this year, including two US consulate staff who were shot dead in a rare attack on foreigners on March 8.

Tokyo, Johannesburg and Mexico were closed for holidays. Bombay was suspended for the second consecutive day, and remains closed today, amid attempts to resolve the aftermath of a payment default by the brokers R.S. Jhaveri.

SEOUL was pressured lower by profit-taking on blue chips and persistent sales of low-priced issues after the recent rises, and the composite index ended 10.80 down at 946.07.

Brokers said a trading suspension in Samshin International after the small, steel furniture manufacturer defaulted on debt obligations also took its toll on the mood.

But construction shares, which had declined sharply on apparently unfounded rumours of financial problems by several companies, gained on a technical rebound. The construction sub-index improved 4.16 to 484.37.

HONG KONG edged down as profit-taking erased morning gains, and the Hang Seng index closed 14.12 softer at 8,580.31 after an intraday high of 8,659.

SINGAPORE eased on a day dominated by worries about the outlook for interest rates. The Straits Times Industrial index lost 2.47 at 2,089.07.

KUALA LUMPUR also declined on interest rate concern and the composite index shed 4.51 to 964.84. Brokers said investors were also cautious ahead of Bank Negara's 1994 annual report next week.

Amalgamated Industrial Steel surged 60 cents to M$7.65 on continued speculation about a timber deal, while Technology Resources fell 35 cents to M$7 on rumours that its 1994 profits would be lower than had been expected.

SYDNEY ended at its best level of tha day after a 10.2 points rally in the All Ordinaries index to 1,914.7. Dealers said the upturn was fuelled mostly by foreign demand, as offshore investors hunted for bargains on the back of the weak Australian dollar.

The local currency slipped back to 72.5 cents to the US dollar and sparked good two-way trading in leading equities. BHP, down 12 cents on Monday, rebounded 14 cents to finish at A$18.62.

TAIPEI was hit by modest profit-taking towards the close of trading. The main index ended at 6,524.87, more than 60 points short of its best of the session and 16.71 down on the day. Volume was dull, with the market still uncertain about central bank direction. The wave of selling late in the day was mostly sparked by fears for policy tightening by the central bank. Electronics shares were among the worst performers, with Tatung and Acer both dipping T$2 to T$60.5 and T$86.5 respectively.

JARKATA ticked over gently in moderate volume and although falls outnumbered rises the official index closed marginally – 0.25 points – higher at 427.19. Features were thin on the ground. A note from Salomon Brothers highlighting good value in Indosat failed to tempt the buyers.

COLOMBO's all-share index declined 6.96 to 853.50 for a two-day fall of 20 points. Volume came to SLRs43m.

Bangkok moves to prop up market

William Barnes finds critics of a Bt20bn investment fund

An attempt by the 44 mambers of the Stock Exchange of Thailand to prop up the ailing local market by chipping into an open-ended Bt20bn investment fund appears self-serving to many Bangkok-based observers, *writes William Barnes in Bangkok*.

The fund, to be established within a fortnight, is intended to lift share prices which could be near the bottom of a slide that has trimmed the market's value by 13 per cent since the beginning of the year. Yesterday, the SET index dipped just 0.71 to 1,184.11 as sellers emerged when the market edged forward to a day's high of 1,190.24.

"The fund will target companies with good fundamentals to encourage other investors to do the same," according to Mr Vicharat Vichitvadakarn, president of the Association of Securities Companies. Other financial institutions such as commercial banks and mutual fund groups will be expected to contribute Bt5bn to the fund.

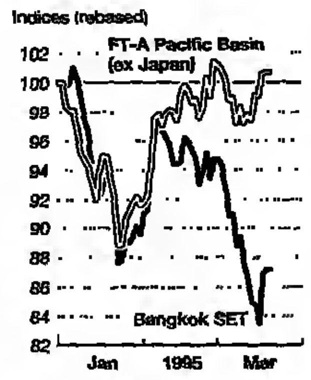
However, even optimistic brokers doubt that the Bangkok market will recovar sharply in the near future after suffering from, essentially, a drain of liquidity, although the underlying economy continues to grow strongly at more than 8 per cent a year.

Some cynics have pointed out that in making this move, the full members of the axchange have given themselves an excuse to pick up bargains at a time when the market's price/earnings ratio is 14 times – from which it has historically rebounded.

"It is very good of the stockbrokers to be so public spirited, particularly when they are likely to make so much money out of it," said Mr Graham Catterwell, the country representative for Crosby Research. The central bank had already initiated a cut in initial margin requirements from 50 per cent to 40 per cent from March 15 which was designed to boost liquidity and the stock market.

This, like an earlier cut in the forced sale margin from 25 per cent to 15 per cent, was taken in spite of the bank's fears that credit growth was running way ahead of its 1995 target of 24 per cent growth. The director of one small broker complained about being forced to borrow money to prop up the market: "This is not prudent – it is just that the brokers want to be seen to be doing something to help their clients who are suffering."

Indices (rebased)



Source: FT Graphite

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MARCH 20 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MARCH 17 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	159.93	-2.1	149.68	90.41	116.18	145.52	-1.0	4.06	163.45	152.99	92.24	117.62	148.01	180.83	157.95	174.45
Austria (16)	189.37	-1.5	177.48	107.04	137.56	137.54	-0.7	1.18	192.28	179.96	108.50	138.60	138.56	198.89	167.46	189.79
Belgium (35)	180.36	-0.3	169.02	101.95	131.02	128.34	0.4	4.18	180.87	169.29	102.07	130.37	127.87	180.87	161.53	169.26
Brazil (28)	107.35	-4.2	100.60	60.68	77.98	179.72	-2.7	1.66	112.04	104.86	63.23	80.76	184.68	-	-	-
Canada (103)	131.35	1.1	123.10	74.25	95.42	134.07	0.5	2.61	129.95	121.63	73.34	93.67	133.39	141.01	120.54	138.79
Denmark (33)	261.88	-0.3	245.42	148.03	190.24	199.82	0.0	1.56	262.79	245.96	148.30	189.43	199.80	275.27	236.61	265.08
Finland (24)	198.79	-0.7	174.11	105.02	134.97	170.73	0.1	1.45	187.06	175.08	105.56	134.84	170.61	201.41	133.88	147.89
France (101)	170.49	0.8	159.77	96.37	123.85	133.13	1.2	3.22	169.22	158.39	95.50	121.98	131.53	180.93	157.79	178.01
Germany (58)	149.09	-1.4	139.72	84.28	108.31	108.31	-0.7	2.03	151.24	141.55	85.35	109.02	109.02	154.61	132.08	135.41
Hong Kong (56)	347.65	0.6	325.80	196.51	252.55	345.05	0.8	3.86	345.64	323.51	195.05	249.15	343.07	416.42	277.40	373.80
Ireland (16)	206.96	0.3	193.95	116.98	150.35	183.95	0.1	3.60	206.24	193.03	116.38	148.66	183.77	217.10	177.56	190.60
Italy (58)	65.81	0.6	61.67	37.20	47.81	85.17	0.5	1.85	65.45	61.26	36.93	47.18	84.73	97.78	65.45	75.85
Japan (484)	143.87	-1.0	134.84	81.21	104.37	81.21	-0.9	0.84	145.17	135.87	81.92	104.64	81.92	170.10	136.95	155.51
Malaysia (97)	478.59	0.3	448.51	270.53	347.67	470.05	0.2	1.67	477.31	446.75	269.36	344.07	469.02	594.76	398.16	471.49
Mexico (18)	726.09	6.5	680.45	410.44	527.46	5438.04	-1.0	2.00	681.51	637.86	384.59	491.25	5491.59	2414.12	647.81	2075.85
Netherland (19)	231.72	-0.1	217.15	130.99	168.34	165.78	0.7	3.72	231.90	217.05	130.87	167.17	164.64	232.41	181.28	199.38
New Zealand (14)	73.10	-0.8	68.51	41.32	53.10	60.14	-0.3	4.90	73.71	68.99	41.60	53.13	60.32	77.20	62.05	71.69
Norway (23)	209.97	-0.4	196.77	118.69	152.53	178.22	0.1	2.22	210.77	197.27	118.94	151.93	178.00	216.03	177.53	201.63
Singapore (44)	358.22	0.6	335.71	202.49	260.23	233.31	0.7	1.84	356.12	333.32	200.97	256.71	231.81	401.38	294.66	308.02
South Africa (59)	337.87	-0.7	316.63	190.99	245.44	267.94	0.1	2.54	340.12	318.34	191.94	245.17	267.59	342.00	205.55	267.78
Spain (38)	126.45	0.4	118.50	71.48	91.85	123.28	0.4	4.52	125.90	117.83	71.05	90.75	122.75	150.21	124.81	145.86
Sweden (48)	238.44	0.2	223.45	134.78	173.22	256.67	0.8	2.12	237.93	222.69	134.27	171.51	254.77	247.40	196.70	217.62
Switzerland (47)	178.37	0.0	167.18	100.83	129.57	128.55	0.8	1.90	178.38	166.96	100.66	128.58	127.51	179.86	149.91	180.74
Thailand (46)	137.05	2.3	128.43	77.47	99.56	131.49	2.3	3.23	134.02	125.44	75.63	96.61	128.58	-	-	-
United Kingdom (203)	199.97	0.8	187.40	113.04	145.27	187.40	1.1	4.32	198.11	185.42	111.80	142.81	185.42	205.58	161.11	196.67
USA (511)	202.75	0.1	190.01	114.61	147.29	202.75	0.1	2.60	202.51	189.54	114.28	145.97	202.51	202.75	178.95	191.76
Americas (860)	185.18	0.2	173.54	104.68	134.52	155.63	0.1	2.77	184.88	173.04	104.33	133.26	155.47	-	-	-
Europe (719)	173.74	0.2	162.82	98.21	126.21	147.25	0.7	3.27	173.31	162.21	97.80	124.93	146.28	176.01	160.59	168.97
Nordic (128)	230.11	-0.1	215.64	130.07	167.18	205.93	0.4	1.92	230.31	215.56	129.97	166.01	205.02	235.72	197.70	210.84
Pacific Basin (609)	152.32	-0.9	142.74	86.10	110.65	91.43	-0.7	1.31	153.70	143.86	86.74	110.79	92.08	175.86	145.93	163.84
Euro-Pacific (1528)	161.15	-0.4	151.02	91.09	117.06	112.64	-0.1	2.19	161.78	151.42	91.29	116.61	112.75	175.14	154.73	165.82
North America (614)	198.33	0.2	185.86	112.11	144.07	198.08	0.1	2.79	198.01	185.33	111.74	142.73	197.81	198.33	175.67	188.46
Europe Ex. UK (516)	155.82	-0.1	146.03	88.08	113.18	124.83	0.4	2.67	156.03	146.04	88.05	112.47	124.28	158.19	144.12	150.40
Pacific Ex. Japan (325)	236.56	-0.2	221.71	133.73	171.87	209.89	0.1	3.27	237.11	221.93	133.81	170.92	209.67	273.13	211.19	245.72
World Ex. US (1736)	161.53	-0.3	151.37	91.31	117.34	115.84	-0.1	2.20	162.10	151.72	91.47	116.84	115.96	176.65	155.42	167.31
World Ex. UK (2044)	171.43	-0.3	160.65	96.90	124.53	136.79	-0.1	2.22	171.93	160.92	97.02	123.93	136.96	178.59	163.46	172.24
World Ex. Japan (1763)	191.64	0.1	179.59	108.33	139.21	179.16	0.3	2.99	191.35	179.09	107.98	137.93	178.61	192.00	176.34	186.42
The World Index (2247)	173.93	-0.2	163.00	98.32	126.35	141.20	0.0	2.42	174.24	163.08	98.33	125.59	141.22	180.80	165.92	174.42

Latest prices were unavailable for this edition.